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The Right Stuff

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PHOTO: STODOLSKA

State-of-the-art office tools enable small companies such as EBS Public Relations, in Deerfield, Ill., to compete with the biggest; many business owners have found that selecting the right equipment need not be difficult. Cover Story, Page 20.



PHOTO: BOB DARMON

Environmental rules can stymie property owners' plans, as Margaret Rector can attest. Regulation, Page 57.

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Results of this poll concerning federal environmental restrictions on the use of private property will be forwarded to congressional and administration leaders.

Editor's Note

The Big Reach Of Today's Small Office

It wasn't very long ago that only the biggest companies were able to develop such resources as the ability to create, store, and print vast amounts of information; maintain well-ordered files; do complicated graphs, charts, and other illustrations; produce four-color publications with professional layouts; and tie into information resources throughout the world. Today, this describes only some of the capabilities of a small office equipped with current technology. That technology is described in this month's cover story,



ILLUSTRATION: RICHARD GAGE

"The Right Stuff" (Page 20), by Senior Editor Al Holzinger, our expert on business technology. It describes the equipment needed for a high-tech office and how to get the best value when you buy it. This report will help both the beginner looking for a basic PC as well as the more experienced small-office manager exploring such advances as networking.

Another article (Page 44) that deserves a special mention is our annual report on the national honorees in the Blue Chip Enterprise Initiative, which gives all entrepreneurs an opportunity to learn from the experiences of those honored. You'll find that the stories of this year's national designees, written by Special Correspondent Sharon Nelton, do that most effectively.



PHOTO: T. MICHAEL KEZA

April 15 looms, and there's particularly timely information in the article on what to do if the Internal Revenue Service decides to audit the income tax return that you filed under that deadline (Page 42). Among the recommendations in this report by Senior Editor Joan Szabo: Stay calm, be cooperative. And you should also be prepared by reading this article.

Robert T. Gray

Robert T. Gray
Editor



PHOTO: DENISE CLEMMER

Blue Chip honoree John Zimmerman, shown with parrot and pet pig, reinvented his ad agency. *Enterprise*, Page 44.

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Cover Design: Hans A. Baum
Cover Illustration: Richard Gage

Nation's Business (ISSN 0029-6470) is published monthly at 1615 H Street, N.W., Washington, D.C. 20002-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 715 Third Ave., New York, N.Y. 10017. Tel. (212) 512-1440. Copyright © 1994 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$35; three years, \$45. For Canadian and other foreign subscriptions, add \$20 per year. Second class postage paid at Washington, D.C., and additional mailing offices. Canadian GST registration # R123552100. POSTMASTER: Send address changes to *Nation's Business*, 4940 Nicholson Court, Kensington, Md. 20895. To inquire about your subscription, or to make a change of address, please call 1-800-638-6562, or in Maryland, 1-800-353-1450. Photocopy Permission: Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of \$1.50 per copy of each article. Send payment to the CCC. Copying without express permission of *Nation's Business* is prohibited. Address requests for reprints to *Nation's Business* Reprints, 1615 H Street, N.W., Washington, D.C. 20002-2000, or call 1-800-638-6562.

Printed in the U.S.A.

Nation's Business

Letters

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Proposed Deficit Commission Wouldn't Eliminate Deficit

November's Dateline: Washington included an item on Florida Republican Sen. Connie Mack's proposal to make it easier for lawmakers to cut federal outlays without suffering politically. Under the plan, a seven-member Spending Reduction Commission would have to recommend \$65 billion in spending cuts each year through 2000 or until the budget was balanced. But what significance would \$65



ILLUSTRATION: MICHAEL ROOK

billion in annual cuts have in the face of projected annual deficits of \$200 billion over the next five years?

Paul L. Coblenz

Columbus, Ohio

[Editor's Note: The proposal forecasts that cumulative annual cuts of \$65 billion would eliminate the deficit by 2000.]

A Waste Of Tax Dollars

The Commerce Department program described in "Getting Help To Fight Back" [February] is a glaring example of wasted tax dollars.

While most of us operate under what is left of the free-enterprise system, the companies mentioned in the article use federal money to pay consultants when foreign competition becomes stiff. Instead of encouraging a company to think on its own, the federal government intrudes and makes it more dependent.

You promulgate the idea that if a product doesn't sell, for whatever reason, run to Uncle Sugar. He'll bail you out "in as little as 60 days."

Karen C. Lloyd, Owner

Grace Supply

Houston

Making Health Care Affordable To All

In his February letter, James A. Fitts advocates eliminating both private and

government health insurance and "letting" people pay their own health-care costs out of pocket. Fitts concludes (but offers no evidence) that eliminating insurance bureaucracies would cut costs so much that medical expenses could be paid for like groceries.

What Fitts proposes is that people bankrupt themselves to pay for medical treatment.

Has Fitts thought about what would happen to the American economy if consumers no longer had money to spend on anything besides health care?

The bottom line is health-care costs are simply too overwhelming to manage without insurance. Elimination of the insurance bureaucracy wouldn't cut costs to the extent that Americans would be able to pay for health expenses out of their paychecks and savings.

We must find a way—whether it is President Clinton's proposal or some other plan—to meet the biggest challenge we as a nation face. The Clintons deserve kudos for bringing this topic to the attention of policy-makers.

For the record, I am not connected to the insurance industry.

Kari E. Hartmann

Ukiah, Calif.

What The First Lady Said

As we consider the Clintons' health-care proposals, it is a good idea to remember Hillary Rodham Clinton's response to the assertion that her plan would drive many small businesses into bankruptcy. She replied that she could not be responsible for every undercapitalized company that failed as a result of new health-care regulations.

Such a response is ironic considering that our government is chronically one of the most undercapitalized ventures in the country and that the administration's proposal is one of our government's most undercapitalized schemes.

Wayne Hooks

Nichols, S.C.

Another Company's Mission Statement

Regarding the article in the February issue titled "Put Your Purpose In Writing": I believe a mission statement can be concise and still be long-range.

Here is our company's mission statement:

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will make Chicago Pipe & Boiler Covering Co. the most prestigious, largest and successful company in our industry."
Bill Lombardo
 Vice President
 Chicago Pipe & Boiler
 Covering Co.
 Wheeling, Ill.

Uncontrolled Immigration Exacts A High Toll

Regarding "A Move To Curb Immigrant Visas?" in the February issue: The findings of the University of Maryland's Julian Simon extolling the supposed benefits of immigration have been continually challenged by legislators and academicians. Yet publications like yours continue to trot out Simon's opinions, which have

Because businesses have used JAN extensively, our data base also has information on what kinds of accommodations may work in various situations. In 1993, JAN handled about 61,000 requests for information.

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Rick Douglas
 Executive Director
 President's Committee on Employment
 of People with Disabilities
 Washington, D.C.

A Responsible Approach To Indoor Tanning

I am responding to the article, "A Really 'Killer' Tan," in the January To Your Health column.

Indoor tanning gives one an opportunity to receive a cosmetic tan in a controlled environment. It is erroneous to suggest that indoor tanning can "emit three to 10 times the ultraviolet radiation found in sunlight."

You also suggest that people who work outdoors are part of a high-risk group. A 1989 Canadian study, however, showed that people with year-round sun exposure had the least incidence of malignant melanoma, which is the most serious form of skin cancer.

We advocate obtaining a cosmetic tan in a controlled environment—one where the client receives the same dosage of ultraviolet rays each session (according to skin type) and does so in a moderate, responsible manner.

Joe Schuster
 Media Liaison
 Suntanning Association
 for Education
 Gulf Breeze, Fla.

[Editor's Note: The figures in question originated with the Skin Cancer Foundation. That foundation, like the American Academy of Dermatology, strongly warns against indoor tanning. Both organizations say as well that most skin cancers are caused by, in the academy's words, "prolonged and/or intermittent overexposure to ultraviolet radiation from the sun." The National Cancer Institute agrees, and adds: "Artificial sources of UV radiation, such as sunlamps and tanning booths, can also cause skin cancer."]

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C., 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

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no basis in the realities of the '90s. Anyone who actually thinks that California and New York, for example, are thriving as a result of Third World immigration in both its legal and illegal forms obviously lives somewhere else. There is no need to worry, though. The bankruptcy of taxpayer-supported welfare, education, and health infrastructures will soon be coming to your community, too, unless laws are passed to curb immigration severely.

Nation's Business is doing a disservice by not showing the high toll uncontrolled immigration is exacting.

J.E. Lucas
 Los Angeles

Information On Complying With The Disabilities Act

The President's Committee on Employment of People with Disabilities offers advice to businesses on accommodating employees with disabilities and complying with the Americans with Disabilities Act.

Many business people who have called our Job Accommodation Network (JAN) have asked for definitions of key terms, such as "reasonable." For most businesses, "reasonable" means "reasonable cost." Our data show that half of the accommodations that businesses have implemented cost little or nothing and that 70 percent cost \$500 or less.

Entrepreneur's Notebook

By Allen Conway Sr.

When The Customer Needs It Yesterday

In the late 1970s, when I was running my own business in New Albany, Ind., selling rubber stamps to office-supply companies, I was confronted with opportunity. Customers said they were having trouble finding suppliers that could produce short runs of printed labels, the kind of quick-turnaround orders—"Hurry, we need 500 labels"—that didn't interest established companies. This was business just waiting to be had, and I thought it could provide entry into larger, more-established markets.

My father was in the label business, and I had access to his equipment, so in 1980 I started Discount Labels. I hoped to turn a thin market niche into a profitable business. My big hook was that I promised to fill customers' orders within 24 hours.

To do that, I would have to be the best at processing orders both correctly and quickly. If I could help my wholesale customers—the same print shops and office-supply stores that dealt with my Rubber Stamps Unlimited business—and satisfy consumers, I figured people would beat a path to my door.

A lot of entrepreneurs feel that way, but accomplishing it can be something else. Today, Discount Labels is the nation's largest short-run manufacturer of custom labels. The company, which was acquired by Atlanta-based American Business Products Inc. last September, now has almost 400 employees and annual revenues in excess of \$27 million.

When this business was started, it was all about black ink on eight label sizes. Today, it is multiple colors and bumper stickers and consecutively numbered parking tags and anything you can imag-

ine in a needed-it-yesterday time frame.

My father and I merged our businesses in the mid-1980s, and as our company has evolved, next-generation technology has become essential to us. We invented most



PHOTO: GORDON R. AUSTIN-MERCURY PICTURES INC.

Allen Conway Sr., founder of Discount Labels:
"It all starts with the right idea."

of our more than 50 label presses, constantly trying to deliver the product more efficiently. For the most part, the equipment available on the market didn't meet the demands of a short-run, quick-turnaround business. To live up to the 24-hour-turnaround promise, the company has dedicated itself to service. Our designers work through the night preparing labels for morning press runs.

We never fill an order when there is uncertainty over what the customer wants; 40 percent of all orders require a confirmation call, but few finished jobs come back with a problem.

Along with a dedication to technology and service, an entrepreneur looking to capture a niche must put aside ego and hire the best available people, even if it means that someone other than the company president takes home the biggest

paycheck. Swallowing pride and paying someone else more money is something most entrepreneurs don't want to do, but it makes every bit as much sense as a heavy investment in technology.

You wouldn't begrudge the money spent on a crucial machine; the same should apply to a crucial person who can make the company go. An entrepreneur who hires people with the necessary expertise will enjoy a return in the long run. What I have received from many valued employees is worth a lot more than I have paid them. And as they helped this company build value—and helped me get to where I earned the biggest salary—I got the kind of return on my investment that is as good as or better than what I received from sinking capital into another machine for the business.

With everything in place, an entrepreneur who has picked the right niche should not only succeed but also be able to expand into other, more-established markets. For Discount Labels, that means having customers send us more than just their short-run orders. The way this company was formed—to fill a specific need—gave us the inch; the service and technological capabilities and high-quality people should earn the mile.

It all starts with the right idea and consumer need. Staying focused on the need and developing the technology and customer service to handle it go a long way toward ensuring that the rest of the entrepreneurial equation—growth and success—will fall into place.

What I Learned

A company that puts a premium on efficiency and speed requires the best people and the best equipment to meet the demands of customers. Sometimes that means swallowing your pride and for a while paying someone else more than you take home yourself.

Allen Conway Sr. is chief executive officer of Discount Labels Inc., in New Albany, Ind.; the firm is a subsidiary of American Business Products Inc. He prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

SPENDING AND TAXES

Balanced-Budget Supporters Vow To Continue The Fight

Senate proponents of a balanced-budget amendment to the Constitution vow to keep working until they secure the 67 votes required for Senate passage even though they lost a vote on the issue in early March.

That vote, on a measure sponsored by Sens. Paul Simon, D-Ill., and Orrin G. Hatch, R-Utah, was 63-37. The proposal was opposed by President Clinton, Majority Leader George J. Mitchell, D-Maine, and Appropriations Committee Chairman Robert C. Byrd, D-W.Va., among others.

The amendment would have required Congress to balance the government's books in the year 2001 and annually thereafter unless three-fifths of senators and representatives voted to approve deficit spending.

The Senate's vote on the measure followed six days of emotional debate. "Let us not crucify the Constitution on this cross of political expediency," urged Byrd, who wields tremendous influence over congressional spending decisions. Sen. William S. Cohen, R-Maine, urged support by likening continued deficit spending when the nation is \$4.5 trillion in debt to "fiscal child abuse."

The maneuvering for votes was so intense that Mitchell immediately ruled out reconsideration of the amendment this year, even if it is approved by the House. But supporters in the House, where a vote was expected on the issue in mid-March, believed the Senate would reconsider the measure if a similar proposal passed in their chamber.

Any amendment approved by Congress would still have to be ratified by the legislatures of 38 states. "The decade will not end without a balanced budget being part of the Constitution," says Sen. Phil Gramm, R-Texas, who notes the measure's immense public popularity. Minority Leader Bob Dole of Kansas concurs: "It's going to happen. If not this year, next year or the next."

Trade Pact Will Require Firms To Pay Taxes Electronically

A little-known provision in the North American Free Trade Agreement (NAFTA) requires the U.S. Treasury Department to develop and implement a



PHOTO: STERRY ADRI—POLIO, INC.

Leading Senate opponents of a recently defeated proposed constitutional amendment for a balanced federal budget: Democrats Robert C. Byrd, right, and George J. Mitchell.

system of electronic fund transfers for collecting business deposits of payroll taxes, corporate estimated tax payments, railroad retirement taxes, and some excise taxes.

The principal objective is to make employment-tax deposits available to the Treasury Department one day earlier than under the current system of paper-

coupon deposits at banks by employers and payroll-service companies.

The Office of Management and Budget estimates that electronic filing will raise \$2.2 billion in additional interest income for the federal government over five years. Conversely, businesses will lose the use of their money one day earlier than they do under the current system.

The NAFTA provision requires that the system be phased in, with 3 percent of all deposits made electronically in 1994, 16.9 percent in 1995, 20.1 percent in 1996, 58.3 percent in 1997 and 1998, and 94 percent in 1999. Details of the phase-in have not been made final by the Treasury Department.

If your company hasn't begun transferring funds electronically, now is the time to start, says Barbara Hanrehan of the accounting firm of Deloitte & Touche.

About one-third of the U.S. work force already is paid automatically by direct deposit, according to Charles S. Hyatt, president of Central Regional Automated Funds Transfer System, Inc., in Columbus, Ohio. An estimated 166,000 companies offer direct deposit to their employees, up from 30,000 companies five years ago, he notes.

—Joan C. Szabo

SMALL BUSINESS ADMINISTRATION

Budget Proposal Would Increase Business Lending Programs

The fiscal 1995 federal budget pending in Congress would increase the amount of capital available to small-business owners under several widely used Small Business Administration loan programs and create a short-term credit program.

The SBA-guaranteed loan fund would grow to \$9 billion, compared with \$7 billion this fiscal year.

The agency's investment company fund, used to underwrite high-risk ven-

tures, would double to \$730 million. And the fund from which real-estate development and large-equipment loans are made also would double, to \$2 billion.

The budget also proposes expansion nationwide of a revolving line-of-credit program. This short-term lending program was limited to borrowers in New England during its first two years. The expanded program would provide up to a total of \$1 billion in short-term loans of small amounts. The average loan in the New England pilot program was about \$250,000.

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Managing Your Small Business

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By Roberta Maynard

LEADERSHIP

Are Your Employees Helping Your Company Grow?

For small companies to grow successfully, managers must encourage all employees to step up to their obligation to make things work—to improve both the work environment and the work product.

This realization came to Kathy Knight, president and owner of BAI, a 25-year-old market-research firm in Tarrytown, N.Y., as she sought to manage her fast-growing company.

Last year, BAI's revenues grew by 25 percent, to \$8.5 million. That increase followed 20 percent growth in 1992. Five years ago, the company had 25 employees; it now has 50.

"I was genuinely confused about why perfection wasn't occurring. We were in complete control of our own business; we should have been having a gangbuster time, but we weren't," Knight says.

When it came time to add employees and to share more of the work and responsibility, one of the first things Knight did was confront the myth that "there are only a few conscientious people out there who do competent work. That just seemed to me to be impossible, so I decided there's got to be something wrong with the way the executive group interacts with people."

On the advice of a management consultant, Knight began to involve more people in providing input at work. She began five years ago with off-site retreats for the top managers to discuss the company's value structure, strategic goals, and, as she says, "what mattered." Slowly, the process has infiltrated the entire operation.

At BAI, direct communication is valued and encouraged. When something goes wrong—for example, if work for a client goes out late—Knight wants honesty from employees about what happened, so the problem can be corrected. To be honest, employees have to know that they are not at risk, she says.

And when a job conflict arises between workers, employees have to be willing to tell the truth to the person they need to tell it to, not to their 12 friends at lunch.

"We used to have power struggles," Knight says. "There were crises, tremendous overtime, and hostility. Now, we don't have many emergencies or disputes, even in our project-driven, time-sensitive business."



PHOTO: GARNOLD ADLER

Direct communication is a highly valued principle at BAI, says the firm's owner and president, Kathy Knight, left. Here she confers with Marvin Sims, vice president and controller, and Gunilla Broadbent, president of BAI International.

"When someone has a conflict with another, that person is encouraged to go directly to the other. In regular meetings, department heads work out problems that come from inherent differences in the kind of work that each does."

Knight steps in to end conflicts among employees only when such problems cannot be resolved otherwise.

"With a growing company, you hit break points; you have to make decisions and changes before you can go to the next step," Knight says. "The CEO has to be willing to allow people reasonable freedom to maintain the quality of product. I have found that all they have to have is permission and a structure—and it's there."

PUBLIC RELATIONS

How To Handle A Media Interview

When it comes to meeting with the news media, most executives would rather not. "Something about irreverent questions, persistent prodding, and poking around puts them off," says Dick Martin, vice president of public relations at AT&T. Martin is the author of *The Executive's Guide To Handling A Press Interview* (Pilot Books).

In the book, he offers these tips for making the most of an interview with the news media:

- Determine in advance one or two major points you want to get across.

- Welcome the reporter as a representative of the public.

- Make your answers relevant to the reporter's questions.

- Look at each question from the public's point of view.

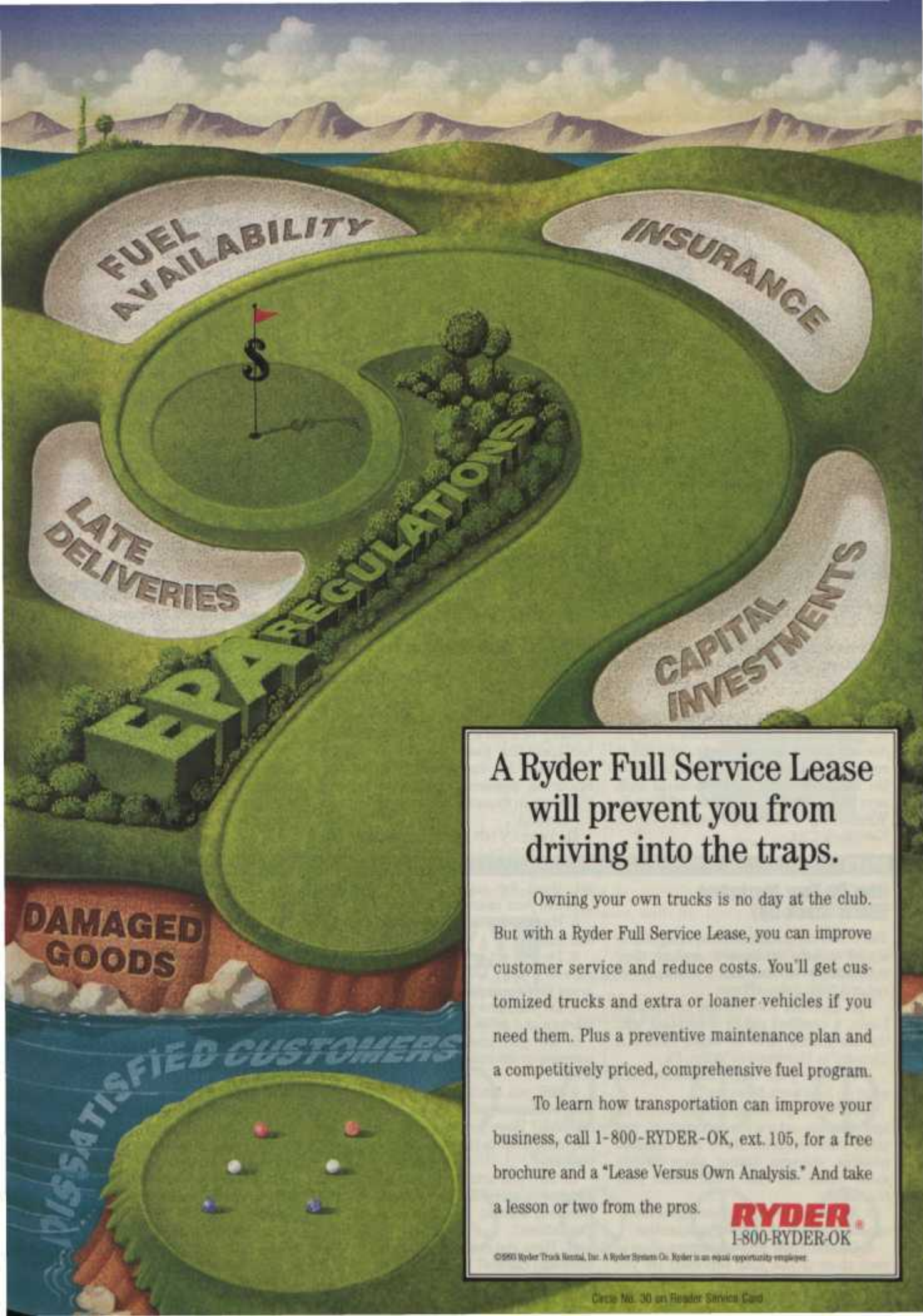
- If a reporter interrupts you, let him or her finish and then continue your response. Avoid a shouting match.

- If the reporter continually interrupts, there may be a reason. Be careful not to run off with the interview.

- Interviewers want informal, understandable language. Avoid company jargon and abbreviations.

- Don't repeat a reporter's terminology unless you want to. Don't let the reporter put words in your mouth.

- Avoid being self-serving. Even the greenest reporter will turn cynical if you aren't candid about your motives.



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EXECUTIVE RECRUITING

How To Attract Top Talent in Hard Times

Firms with less-than-stellar balance sheets may have to offer special incentives if they want to entice high-quality executive talent.

For years, large companies have used appealing severance packages (some-

"Five or 10 years ago, a company wouldn't agree to a [parachute] contract" with a prospective employee, Winston says. "Now, it's becoming typical because of the uncertainty of business. Even healthy companies run the risk of being merged out."

Bill Cassidy of Ridgewood, N.J., is an executive who brings his talent to compa-

Co., in Oceanport, N.J., after three years as its vice president of human resources and chief administrative officer, having arranged for a tightly drawn contract that provided one year of his base compensation, plus bonus, from the date of his departure.

The company had set up an irrevocable trust for the funds. In the event of bankruptcy, those separated funds would be protected from creditors.

Typically, Winston says, the parachute offers the executive a continuation of base salary for six months to two years, depending on the employee's level in the company. Inclusion of benefits and other perks is also negotiable.

The contract should contain a clause to protect the business, too, making the contract void if the executive leaves because of incompetence or resignation.

Companies that want to offer severance packages should consult an attorney.

Cassidy says, "The idea is to provide protection if adverse things happen, but you don't want to make it attractive enough to bring people in and have them turn around and leave [with the money]."

An advantage of the severance arrangement, particularly for troubled companies, Cassidy says, is that these executives can be more dispassionate in their business decisions because they don't have their own career concerns. It eliminates their anxiety, and it eliminates negotiations and discussions later on.

"It used to be that when someone joining a company talked about severance, their loyalty to the company was questioned," Cassidy says, "but it's increasingly common in American business to focus on finite relationships. I think this trend will continue, not so much because of the economic climate as because of changes in the nature of business today."



PHOTO: HAROLD ADLER

"It's increasingly common in American business to focus on finite relationships," says troubleshooter Bill Cassidy of Ridgewood, N.J.

times called golden parachutes, because they provide financial protection if the job doesn't last) to attract new talent and to retain key people. Now, small and troubled companies are using them as well, says Dale Winston, president of Battalia Winston Int'l., an executive search firm in New York City.

nies for short periods in return for the security of a parachute contract. Cassidy has spent the past 10 years as a troubleshooter for companies with human-resources problems, particularly firms that were in financial difficulty or facing a turnaround.

He recently left Concurrent Computer

SALES

How Do Your Marketing Efforts Stack Up?

The following questions were designed as a tool to help businesses analyze their marketing programs and, if necessary, to refocus their sales efforts.

The checklist was devised by Howard Levin, a certified public accountant with the accounting firm of Bush, Levin, & Tecosky, in Huntingdon Valley, Pa.

1. Who are your target customers, and what do they seek from you?
2. Have you profiled your customers by age, income, education, occupation, and other basic criteria? Have you assessed possible changes taking place among those customers that could affect your business?
3. Are there new customer segments or special markets that deserve attention?
4. Do you know why customers shop at your store or use your services? Do you

ask them for suggestions on ways to improve your operation?

5. Have you established pricing policies and goals?
6. Do you set prices to cover full costs on every sale? Do your prices earn the gross profit you planned?
7. Do you know the difference between markup and gross profit?
8. Do you know the effect a price increase or decrease would have on revenues?
9. Are you familiar with the strengths and weaknesses of various promotional methods? Have you considered how they might be used to increase your volume of business?
10. Are you active in your chamber of commerce, merchants' association, Better Business Bureau, or other business organizations?
11. Have you considered customer seminars and classes?

12. Do you ask customers to refer your business to friends and relatives?

13. Would a newsletter be useful to remind customers of your business?

14. Do you study the advertising of other successful companies, as well as that of your competitors?

NB TIP

Community Service Awards

Nominations are now being accepted for the 1994 Awards for Excellence in Corporate Community Service. Businesses of any size that are addressing a community need through a company-supported employee volunteer program are eligible.

Businesses are encouraged to nominate themselves. Nominations must be received by April 22.

For information, call the Points of Light Foundation, in Washington, D.C., at (202) 223-9186.



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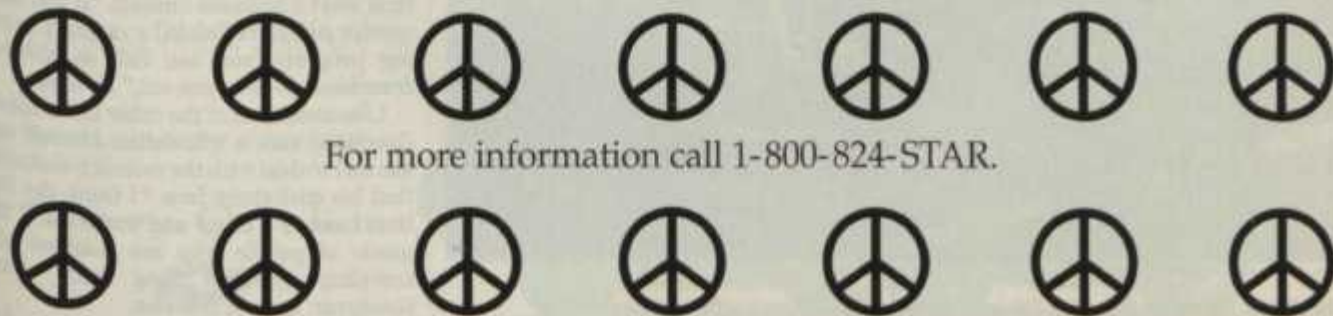


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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Freedom On Wheels

By Dorothy Elizabeth Brooks

Seven years ago, a disabled friend asked Edward Van Artsdalen for help in buying a vehicle that would accommodate his special needs. Van Artsdalen was a school-bus contractor in Philadelphia at the time. In addition, he provided transportation services to nursing homes, hospitals, and retirement centers, so he knew how to find an

appropriate van and have it customized.

Through his friend, Van Artsdalen got to know other disabled people. When he found that most of them couldn't afford a \$25,000 van but yearned for mobility, he realized there was a huge, untapped market for customized vehicles that disabled people could use for short periods.

While the government does not keep

such statistics, Van Artsdalen estimates that as many as 8 million Americans use wheelchairs. He believed the ability to rent vans suited to their needs would be appealing, practical, and affordable. And he was right.

"Transportation is a critical point of all our lives, more so with people who have a disability," says Van Artsdalen, 43, a man with an easygoing manner. "There was no service they could use to get a vehicle for a short period of time, whether it was for a birthday party or a wedding."

Under the name of Wheelchair Getaways, Van Artsdalen purchased two specialized vans and began renting them out in 1988. Within 18 months, his business had grown to seven vans. In 1989, he began franchising. To date, the company is in 65 U.S. cities and Puerto Rico, and he expects to open two offices in Germany in the summer.

The largest number of Wheelchair Getaways customers—at least half—rent the vans for use on vacations. An additional 30 percent of the rentals go to customers who are temporarily disabled; they may have been in an accident or have had surgery and are restricted to a wheelchair for a month or two. A smaller number want to try out the vehicles because they are interested in purchasing a custom van of their own.

Based in Newtown, Pa., northeast of Philadelphia, Wheelchair Getaways is lean, with just five employees, including Van Artsdalen, who is president.

The company's biggest strength is its 37-member franchisee network, according to Andrew Goodyear, owner and operator of the South Florida franchise. Wheelchair Getaways' largest and most profitable operation. The network was one of the main reasons that in 1991 Goodyear purchased a franchise rather than start a business himself. "If you have service problems [when] a van isn't working properly, you can call on another franchisee to help you out," he says.

Like about half of the other franchisees, Goodyear uses a wheelchair himself and has had to deal with the mobility obstacles that his customers face. "I think the fact that I am in a chair and understand the needs of people who are disabled and traveling goes a long way," says Goodyear, an avid traveler.

The vans typically rent for \$75 to \$85



PHOTO: GLEIF SKOGSTROM-WOODFIN CAMP

Wheelchair Getaways founder Edward Van Artsdalen and office manager Pat Eichmann demonstrate one of the company's vans customized for disabled persons.



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MAKING IT

per day, depending on the area. Some customers drive the vans themselves; others require a driver, generally available for an additional \$15 per hour. Each van is equipped with a raised roof, a power wheelchair lift, and a tie-down system that holds both wheelchair and passenger in place.

Van Artsdalen says the ideal location for a franchise is an attractive tourist destination with a population of at least 200,000. Another plus is proximity to major medical facilities, particularly those providing rehabilitation or orthopedic services or treating spinal-cord injuries.

Van Artsdalen says prospective franchisees are closely evaluated for two main qualities: "They must have sensitivity to

the issues faced by people who use wheelchairs, and the individuals need to be success-oriented; they must have the drive, desire, and determination to succeed."

They must also have access to at least \$75,000 to cover start-up costs, which include two vans, the franchise fee, and corporate support. No franchise has failed, and the company continues to grow by about one franchise per month.

Two national car-rental companies—Hertz and Budget—now refer disabled people to Wheelchair Getaways franchises, and the company has been added to three of the world's largest reservation networks, linking Wheelchair Getaways with as many as 600,000 travel agencies

around the world. Van Artsdalen has also purchased an Indiana company that customizes vans for the disabled, enabling interested franchisees to make money off van sales as well as rentals.

Van Artsdalen's annual gross revenues are about \$650,000, and profits consistently come in at about 15 percent of gross, according to Van Artsdalen. He sees potential for no more than 125 Wheelchair Getaways franchises in the United States, but this has hardly limited his vision. "We have real strong leads in Europe," he says. "That's where the growth will continue."

Dorothy Elizabeth Brooks is a free-lance writer in Marietta, Ga.

Living The American Dream

By Meg Whittemore

Caroline Sanchez Crozier, president and owner of Computer Services & Consulting, Inc., in Chicago, is a classic American success story. One of 11 children, she was born in Michoacan, in southwest Mexico, immigrated with her family to the United States in 1967 at the age of 8, and 26 years later was named the 1993 Small Business Person of the Year for Illinois by the U.S. Small Business Administration.

Using a spare bedroom as her first office, Crozier, a certified public accountant, founded Computer Services & Consulting six years ago; she began as a part-time subcontractor to computer companies. Today, with \$2 million in annual sales, the company provides systems integration as well as computer training and services to educational and government institutions in the Chicago area. The company has 25 employees, including Crozier's husband, eight of her siblings, and four in-laws.

"As kids, we [brothers and sisters] used to sit around the table and talk about having our own business together and how much fun it would be since we were such a large family," Crozier says.

The brothers and sisters who have since found their way back to their sister's business have brought with them degrees in such fields as computer science, accounting, and psychology.

Crozier, whose father was a factory



PHOTO: ORGARE JOHNSON—GAMMA LIAISON

Computer Services & Consulting founder Caroline Sanchez Crozier, husband Terry Crozier, right, and 10 of her relatives she employs.

worker, says of her parents: "One of the best things they could offer us was a good education. Our goals when we immigrated to this country were to learn the language, understand the culture, and do well in school."

Crozier graduated from Rosary College, in River Forest, Ill., with a bachelor's degree in accounting. She met her husband, Terry Crozier, during her college years and, upon graduation in 1979, entered the corporate business world, first as an accountant and later as an auditor and financial analyst.

"I would move on when there wasn't

anything more to learn," Crozier says.

When she and Terry started their family, Crozier decided to find work that would allow her more flexibility. "At first I thought that I could move into consulting with small businesses on their accounting and financial-services needs," she says. One of the companies she worked with was in the computer field—providing computers, support services, and training to school systems in the Chicago area.

Through that consulting job, Crozier learned about computer technology for education. In 1988, she incorporated Computer Services & Consulting, registered it with the city as a minority-owned company, and accepted a contract with Wicat Systems for \$30,000 to assist it with its computer support services in schools.

Apple Computer, Inc., approached her the next year to be an Apple vendor in the Chicago area to market and promote computers as a classroom tool.

"My accounting background prepared me for the financial side of owning a business, but I was very naive about the other aspects of business ownership," Crozier says. To shore up her knowledge, she attended seminars for start-up entrepreneurs at the Women's Business Development Center in Chicago.

Computer Services & Consulting's sales jumped from \$30,000 in 1988 to more than \$120,000 the following year. Crozier invited several siblings to help her in the business, and the following years witnessed continued growth.

"I strive to be a role model for the Hispanic community," she says. "I am always trying to do more."

**She's nine minutes old.
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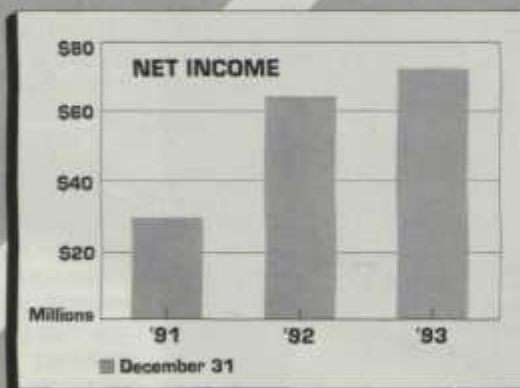
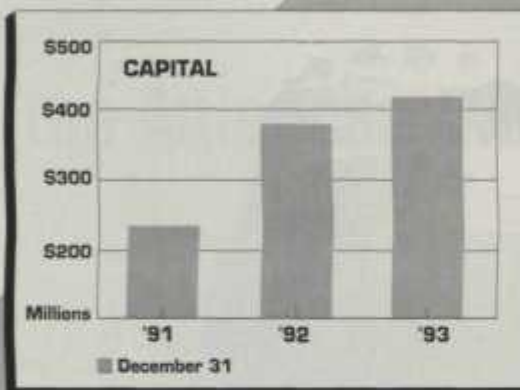
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MOSCOW, 1993 (REUTERS)

For Jews in the former Soviet Union, the exit signs are clearly marked.

The signs are all too familiar. Brown-shirted fascists march. Synagogues mysteriously go up in flames. Right-wing extremist Vladimir Zhirinovsky rants against Jews and "Zionist plots." And his party wins more votes than any other in Russia.

Once again, opportunists blame terrible conditions on their traditional scapegoat—the Jews.

And for Jews, anti-Semitism just adds to the misery of life in the former Soviet Union: Severe economic hardship. Political instability. The depressing lack of opportunity for an education, for a better life.

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HA251SHMO-LO

"E-Myth" And Reality

By Michael Barrier

When it comes to building a business, it doesn't hurt to start with an insight into your potential customers. And if you can start with a whole cluster of insights, so much the better.

That is what Michael E. Gerber did. He is the founder and CEO of Gerber Business Development Corp., a 55-employee, Petaluma, Calif., company that translates Gerber's insights into practical advice for small businesses.

The most basic of those insights, as set out in Gerber's best-selling 1986 book, *The E-Myth* (HarperBusiness), is that small-business owners are not necessarily entrepreneurs. Most people who go into business for themselves, he says, are motivated not by a desire to own a business but by a desire not to have a boss. Their business is not really a business. It's a job.

A business is a real business, he says, only when its owner has one goal in mind: "The sole purpose for creating a business is to sell it. Every day I come into my business, I'm buying it: What's the value of my business? If you're not holding the business to the same standards that a stranger would, you're really in trouble."

What makes a business saleable, in turn, is how systematically it is organized, because that determines whether it can continue without the owner's presence. Gerber's model for a successful business is the business-format franchise because it is based on replication: Every new McDonald's should run just as smoothly as every other McDonald's.

Most businesses won't ever go into franchising, but, Gerber says, their owners should act as if they were going to franchise; that way, they can anticipate and solve problems that might otherwise strangle the business as it grows. In his eyes, the product or service that a business offers is much less important than the way it offers that product or service.

Gerber's ideas are not particularly

warm and fuzzy, but neither, he thinks, are entrepreneurs. "The truth is," Gerber observes, "there's no truly entrepreneurial individual—none that I've ever met—who's really interested in other people. Entrepreneurial personalities wish they didn't have to deal with people because people are such a problem."

A native of New Jersey, Gerber, 57, has

least of their problems. I could teach them how to sell, but then they couldn't deliver the product. Or they couldn't make any money at it." In 1977, he started a business to help other businesses deal with such shortcomings.

"Most of the problems in my clients' businesses were generic problems," Gerber says, and he realized "that I could create a generic service that would provide small-business owners with the education they needed, and with the help they needed once they knew what to do."

He began franchising. And, almost immediately, he stumbled over a mistake

of just the kind he was advising small-business owners against. He and his partner at the time had divided things up a little too neatly. The partner handled "finance and product development," Gerber says, while he handled sales, marketing, "and the vision." The flaw in that arrangement became obvious late in 1985, when Gerber's partner told him that they were broke.

It was not until 1991 that Gerber finally fought clear of the financial and legal threats to his company's survival. He has since taken on a new partner, and he now has no franchisees and no debt. He isn't planning to franchise again, although that always remains a possibility.

Gerber has more than 400 clients, he says, ranging in size

from one-person operations to companies with 100 employees; revenues in 1993 were "a little shy of \$4 million." Small businesses sign up with Gerber on a month-to-month basis and pay, on average, less than \$600 a month.

Before he takes on a client, Gerber says, "they have to read the book," *The E-Myth*. The consulting that follows—almost all of it by phone, fax, and mail, with few if any in-person meetings—is in effect devoted to applying that book's lessons to the client's business.

Gerber's staff does that mainly by asking the clients questions, he says. "The answers are irrelevant; the questions are where the true power is. We begin the process of getting [clients] to understand that their job is to continually ask questions of themselves—because the answers keep changing."



PHOTO: EDWARD CALDWELL

Owning a small business doesn't necessarily mean that you're an entrepreneur, consultant Michael Gerber says—your business really may be just a job.

lived in California since his family moved to Anaheim in 1948. A college dropout, he played the jazz saxophone professionally in Europe and, he says, "drew religious pictures on the sidewalks in Paris to support myself." Back in the U.S., he worked as a carpenter, sold encyclopedias, and did "anything and everything" until he finally found his calling as a consultant to small companies.

"My brother-in-law owned an advertising agency," Gerber recalls, "and had these small high-tech companies that didn't know how to sell." He recruited Gerber to help them. "In the beginning," Gerber says, "my concern was that I didn't know anything about business. What I began to realize was that they didn't, either."

As Gerber taught his clients how to sell, he says, "I realized that selling was the

THE BLUE



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COVER STORY

The Right Stuff

By Albert G. Holzinger

The firm is less than a year old, has only four employees, and operates from the basement of owners Erica and Brian Swerdlow's suburban Chicago home. But thanks to technology, EBS Public Relations Inc. is steadily adding to its start-up base of six clients, and Erica Swerdlow, the company's president, is confident that billings will total more than \$1 million a year by 1996.

"We've been successful in marketing EBS as the most technologically progressive PR firm in the country," she says. Because EBS does business using state-of-the-art office tools and has made that known, prospective customers in the high-technology industries "view us as a company that can represent their products effectively," she says.

The cornerstones of Swerdlow's office-

technology infrastructure are five personal computers equipped with Intel Corp.'s powerful 80486 microprocessors. The PCs are joined in a peer-to-peer network, which lets EBS employees pool hardware resources. (See "It May Be Time To Get Wired," on Page 22.) The resources include a laser printer, two high-speed modems with fax capability, a drive that accommodates compact disks



PHOTO: ©TODD BUCHANAN

With state-of-the-art office tools, Erica and Brian Swerdlow, right, run EBS Public Relations from the basement of their Deerfield, Ill., home. At the computers are account executives Barbara Adler and Brian Golden.

Here's how to find the best values in high-performance equipment for your small office.



known as CD-ROMs, and a tape drive for backing up files.

The network also permits the sharing of word-processing and electronic-mail documents, billing and other financial information, and two key data bases, one of which contains the company's media and other contacts, the other a list of prospective technology clients.

Other high-tech office equipment at EBS includes a free-standing fax machine, a copier that can collate, a voice-mail system, and a postage meter.

Using technology to improve a firm's operation and attract customers is becoming increasingly common among small-business owners, says Paul Edwards, who writes extensively on small business and co-hosts a weekly network radio show on that subject with his wife, Sarah. "Today,

even the smallest offices often are as well-equipped as big businesses," Edwards says. Deploying that technology effectively is one way small companies can successfully compete for customers with larger firms, he says.

Swordlow selected and bought EBS's equipment with the help of her brother, Don Rogers, a technology consultant in Lawrence, Kan. The vast majority of small-business owners, however, purchase office technology on their own, and those who assess their needs carefully and shop diligently can usually buy the right equipment at reasonable prices.

"There's no substitute for homework if you want to get the best value for your technology dollar," says Kevin G. Barkes, a consultant in suburban Pittsburgh. He has a decade of experience using comput-

ers and peripheral devices to convert the electronic data bases of client companies into printed directories.

Barkes also suggests that business people increase their general knowledge of technology by taking computer courses at community colleges or attending meetings of local computer clubs. Members of such clubs "really love to talk about 'techie' stuff," he says, and they usually know the best computer stores in the area. He also recommends becoming active in a local chamber of commerce, which might have as many as "four or five small-business members with deserved reputations as computer wizards."

Christine Wu, whose home-based company in suburban Los Angeles plans and conducts marketing campaigns for business clients, says she learned a lot about

Creating Your Own Space

There is much more involved in establishing an effective small office than installing the appropriate computer hardware and software, say Paul and Sarah Edwards, who write extensively on small business and host a weekly network radio show on the subject.

This husband-and-wife team in Santa Monica, Calif., offers *Nation's Business* readers the following tips for establishing a productive work environment at home or in a commercial building:

Plan ahead. Determine how much space you have, and allocate it carefully before buying furniture, filing cabinets, PCs, or other office equipment. Designate and lay out the areas where you will perform basic office tasks such as using the telephone and related accessories, computing, processing mail, handling money, and filing.

For assistance, consider space-planning software such as Planix for Windows



PHOTO: SEAN BARTHOLOMEW

Plan carefully and be neat, say home-office experts Paul and Sarah Edwards.

(Foresight Resources Corp.; \$99 retail) or 3D Office (Design Ware; \$129.95 retail).

Look like a business. Create an air of professionalism for your customers and yourself by minimizing personal items such as laundry and children's toys. And minimize the clutter that inevitably arises as a business grows. If necessary, retain a professional organizer.

Get good furniture. Maximize productivity and minimize the risk of back or repetitive-motion injuries by making your office ergonomically sound. Get a comfortable, adjustable chair with a high back. Also be certain that the computer's keyboard, mouse, and monitor are well designed and positioned at the proper height and angle.

See things clearly. Lighting is a major contributor to high productivity. Daylight is best for your eyes, but even daylight can be enhanced by judicious use of spot lighting and other artificial light. Be sure there is adequate power for lighting and other equipment needs; an energy audit is provided free by many utility companies.

COVER STORY

computers on her own merely by reading technology magazines and by taking apart her own computer.

Wu gradually gained enough confidence to buy and install additional memory capability, called random-access memory (RAM), and additional file and program storage capacity in the form of a second hard-disk drive. She also set up several printers and a fax machine.

Wu has been pleased with her office upgrades, she says, because research and comparison shopping preceded each purchase. If she had not devoted adequate time to assessing her needs and looking for bargains, she says, "I could have ended up spending a lot of money and still had headaches."

Buying The Proper PC

According to a recent nationwide survey, 60 percent of business owners with fewer

than five employees and 54 percent with five to nine employees believe they could not continue operating without PCs. The survey was conducted by Business Research Group of Newton, Mass. The firm specializes in technology market research.

These perceptions may help explain why about 3.2 million PCs were purchased in 1993 and why industry sales are expected to nearly double by 1997, according to Raymond Boggs, director of small-office research at BIS Strategic Decisions, another leading technology research company, in Norwell, Mass.

Consequently, every major computer maker now features a line of PCs designed with a wide range of small-business needs in mind. In this buyer's

marketplace, you should expect to spend about \$2,000 per computer. If that seems like a lot of money, keep in mind that the desktop PC you can get for that amount today would have cost about \$1,000 more in early 1993 and would have been unavailable at any price five years ago.

If you aren't sure what you really need in PC capabilities, consider the following guidelines. Accept a system no less powerful than one based on the Intel 80486 microprocessor running at 33 megahertz (Mhz) or faster. A 486 is desirable because it is lightning-fast, and it is the first processor engineered to be upgraded easily and inexpensively.

Your \$2,000 486 system should contain at least:

- Four megabytes (4MB) of RAM, the minimum requirement for many business programs;

- A so-called local bus video (VL) accelerator with at least 1 megabyte of

It May Be Time To Get Wired

Many small-business owners have concluded that although their offices contain only a handful of PCs, it is worthwhile to connect—or "network"—them.

About 13 percent of companies with fewer than five employees and 21 percent of firms with five to nine employees are networked now, according to Business Research Group, a market-research firm in Newton, Mass., that specializes in technology.

A somewhat larger company taking advantage of the benefits of networking is Schwarz Paper Co., a distributor and producer of paper products and promotional materials, in Morton Grove, Ill. Some years ago, the company's managers embraced networking to allow the firm's several PC users to draw from a common pool of software, data, and hardware resources such as laser printers, says Alan Perelgut, the company's PC and network manager.

From a pool of several worthy and widely used network operating systems, Schwarz chose NetWare by Novell Inc., 1-800-NETWARE, or 1-800-638-9273. Perelgut says the choice was based in part on NetWare's immense expansion potential—and his network has expanded.

Schwarz's suburban Chicago operations now include almost 50 PCs, which share 11 laser printers. Most of the company's PCs and printers are used by office staff members to perform word-processing or accounting functions, in which the ability to share large, frequently updated files really pays off, Perelgut says.

The network is being expanded in a way

that uses modems and telephone lines to connect several employees in an office across town who need instant access to the company's production-job data base.

In addition to improving employees' productivity by making information more



PHOTO: GERALD FINE/HEIST

Networking fosters expansion, but it's a tough technology to master, says Alan Perelgut of Schwarz Paper.

accessible to them and making the most of printer and other hardware and software resources, networks are good at securing data. They make it easy to restrict access to sensitive business information and to make backup copies of all company files daily.

There is a middle ground between toting floppy disks among workstations,

called "sneaker-netting," and dedicated networking under an operating system like NetWare: It is called peer-to-peer networking.

Dedicated networking requires a file server—a high-powered PC that processes program and data requests from users and directs jobs to the appropriate printer. This PC cannot do double duty as a network workstation.

In peer-to-peer networking, the networking operating system allocates some disk and other resources of each user's PC as shared resources among all users, so no file server is required. Although this type of networking degrades the performance of each workstation somewhat, many small offices find it preferable to use peer-to-peer networking because it is cheaper and easier to construct and maintain. "There's no need to saddle people with an aircraft carrier if they only want to go water skiing," asserts D. Russell Sikes, vice president of Connexperis, a Dallas firm that manufactures a unique and highly regarded peer-to-peer networking system called The Net Solution, (214) 233-8800.

Other highly capable peer-to-peer systems include Novell's recently released Personal NetWare, 1-800-554-4446; Windows for Workgroups, by Microsoft Corp., 1-800-426-9400; and LANtastic, by Artisoft, 1-800-846-9726.

If you decide to network your office and want a network vendor to do the job, check prospective vendors' references carefully. If you decide to network using your own employees as technicians, make sure they receive adequate training first. As Perelgut, the networking professional, points out, sooner or later an ill-conceived or poorly installed network will inevitably create more delays than a "sneaker net."

memory, which will provide excellent graphics processing;

■ A 3½-inch floppy-disk drive to accommodate the most commonly used type of disk;

■ A so-called noninterlaced SVGA (super video graphics array) monitor that's 14 or 15 inches in size, which is of sufficiently high quality and large enough to be easy on the eyes when most business software is used;

■ A 200MB or larger hard-disk drive for storage of programs and files. The disk should be preloaded with DOS 6.2, the latest version of this operating system software; the current version 3.1 of Microsoft Corp.'s Windows graphical user interface (GUI); and at least one business software program of your choice. (A GUI makes computing more intuitive because it uses distinctive pictures, called icons, to augment written commands.)

If the standard keyboard and mouse cause your hands discomfort, insist that the dealer provide a set that is more ergonomically correct for you.

Depending on the software you plan to use and the nature of your business, you may need to upgrade one or more basic system components either at the time of purchase or soon afterward. For example, if you plan to use several programs routinely and most of them are Windows-based, upgrade to 8MB or, better still, 16MB of RAM and a larger disk drive. (You should pay only about \$50 per additional MB of RAM and \$1 per MB of disk space.) The added memory will increase system speed in general and printing speed in particular; the higher-capacity hard disk will allow you to set up a large, permanent "swap file." Windows sometimes uses this file in lieu of RAM to store data temporarily so that it can process complex printing or other jobs.

You may also need to add a system component or two. For example, Swerdlow of EBS found that a key data base containing detailed information on her prospective customers—specifically, every technology company in the United States—is so large that it is available only on a CD-ROM (a compact disk with read-only memory), which can hold about 500 times as much information as a conventional floppy disk. The number of programs as well as data bases published in this format is growing rapidly.

Equipping your new system with a CD-ROM drive, an add-in sound card needed to play the high-quality audio files found on many compact disks, and reasonably good speakers should cost no more than about \$500.

Be sure that the CD-ROM drive is a "double-speed" (MPC II) model and that the sound card is of the 16-bit variety. With a single-speed drive and an 8-bit sound card, you will soon become frus-

For More Information

Much of the vast amount of published information on technology is geared either to technology experts and corporate information managers or to home users of computers. *Nation's Business*, on the other hand, targets its monthly technology coverage of trends as well as hardware and software developments to small-business people.

Following is a sampling of other technology resources written with the small-business user in mind.

Books

The Office Equipment Adviser, by John Derrick. More than 500 pages of nuts-and-bolts advice on buying everything from PCs and laser printers to postage meters and shredders.

Price: \$24.95; from What to Buy for Business Inc., 1-800-247-2185.

The Small Business Computer Book, A Guide in Plain English, by Robert A. Moskowitz. This is a straightforward primer on selecting hardware, software, and other computing essentials.

Price: \$19.95; from Upstart Publishing Co., 1-800-235-8866.

Tough Times—Tough Tactics, by Andrew Johnson. The glossary of real-estate terms alone justifies the cost of this book on identifying and finding the proper site for your business and leasing the site as inexpensively as possible.

Price: \$39.95; from Johnson Commercial Brokerage, 1-800-270-4848.

Working From Home, by Paul and Sarah Edwards. The authors subtitled their 450-page book "Everything you need to know about living and working under the same roof." Their claim appears bona fide.

Price: \$14.95; from Jeremy P. Tarcher Inc., 1-800-788-6262.

Magazines

If you use technology at all in your business, you cannot afford to be less than current on products and trends. There are numerous computer and office-equipment

magazines at almost every newsstand and computer store. Spend some time browsing through them, and subscribe to one or two that fit your needs and abilities. One title that is authoritative yet "user-friendly" is *PC/Computing*.

Price: \$24.97 a year; from Ziff-Davis Publishing Co., 1-800-365-2770.

On-Line Services

ZiffNet. This service from Ziff-Davis, the technology publishing giant, affords access to product advice from the experts of *PC Magazine*, *PC/Computing*, *PC Week*, *Computer Shopper*, *MacUser*, *MacWeek*, and more. ZiffNet is also a treasure trove of free and low-cost yet very handy software. In addition, it is a source of technical advice.

Price: \$2.50 a month plus charges that vary according to your modem's speed and the services you tap. Call 1-800-666-0330.

CompuServe. A great way not only to obtain hardware and software technical support but also to exchange problems and ideas with other people in your line of business.

CompuServe is also a valuable reference tool. For example, you can use it as a gateway to *Dun's Business Directory*, with listings of 8 million U.S. businesses and professionals, and to a library of more than 400 general business and trade periodicals.

Price: \$8.95 a month for basic services plus varying connect charges for other services.

Call 1-800-848-8990.

America Online. Not as extensive as CompuServe but still a substantial and rapidly growing source of information. Of special note is the Microsoft Small Business Center, which provides useful material contributed by 20 or more sources, including the U.S. Chamber of Commerce.

Price: \$9.95 a month for up to five hours of use; additional hours are \$3.50 each. Call 1-800-827-6364.

clever animated graphics highlight and explain each PC component; you can even quiz yourself on what you've learned. It's available on floppy disks and on CD-ROM at retail stores for about \$30.

When you start shopping, consider taking along a performance-analysis aid called *Computer Consultant*, by the PC diagnostics software maker Micro 2000, in Glendale, Calif., (818) 547-0125.

The diagnostics software provides per-



Tips From Nation's Business For

1. Motherboard

This is a plastic or fiberglass board containing circuits, chips, and sockets that control system performance. NB Tip: Keep upgrade options fully open by choosing a PC with eight memory-module sockets, an "overdrive" socket for a faster central processing unit (CPU), and at least three open add-in-card slots, one or more of which are so-called local bus slots.

2. Central Processing Unit (CPU)

The CPU chip, or microprocessor, is a PC's silicon brain. The clock is a timing device that plays a big role in determining how fast the brain can "think." NB Tip: Intel's 80486 CPU with a clock speed of 33 megahertz (Mhz) is today's best value for most business users.

3. Random Access Memory (RAM)

RAM is where programs and data are stored while you work with them. In general, the more RAM, the better the PC performs. Today's RAM usually comes in 1 megabyte (MB) or 4MB packages of chips called single in-line memory modules (SIMM). NB Tip: If you use only DOS-based software, 4MB RAM should do; if you run Windows applications, get 8MB or more. Buy 4MB SIMMS if possible so upgrades to 32 MB are possible.

4. Add-In Cards

These cards look like small motherboards and play an important part in determining a PC's capabilities. The most common add-in cards control disk drives and video. Others can enable a PC to produce CD-quality audio and motion pictures, receive TV signals, and much more. NB Tip: If you run Windows programs, invest in a high-quality local bus video card to improve overall system performance radically. If your software would benefit from high-quality audio, buy a 16-bit Sound Blaster sound card or another that's compatible with this leading brand.

5. Floppy-Disk Drive

Still the most convenient way to install software or share files. NB Tip: Save money and space by installing only a 3 1/2-inch, high-density (1.44 MB) floppy drive, because almost all software comes on these disks now.

6. Hard-Disk Drive

The medium on which all programs and files are stored until you retrieve them. Integrated drive electronics (IDE) type drives are easier to install and cost less per megabyte of storage than others. NB Tip: Programs are getting incredibly large, bargain-priced drives abound, and replacing

If you choose key component parts carefully, your next personal computer should meet your business needs.

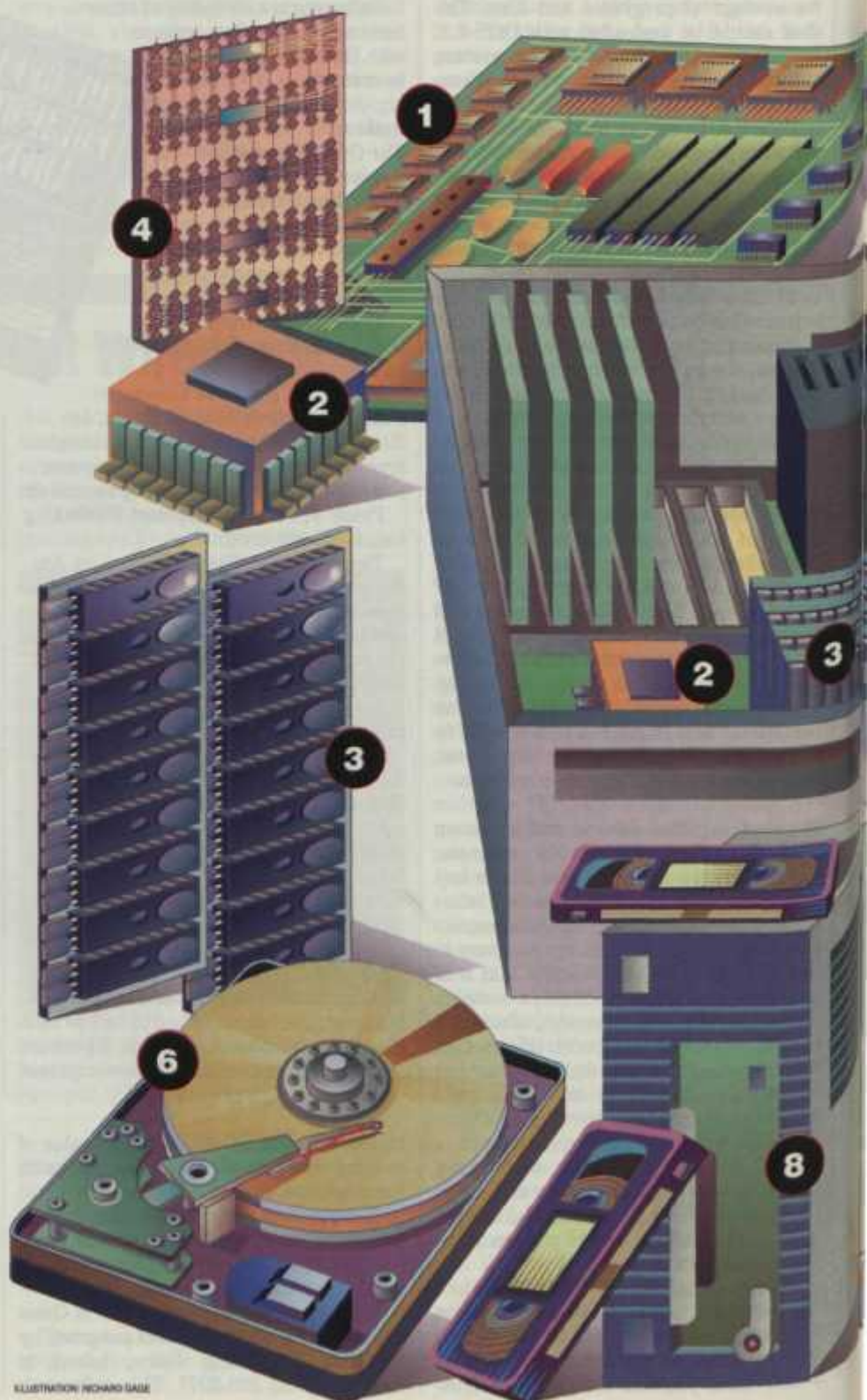


ILLUSTRATION: RICHARD GALE

Pulling The PC Pieces Together



even an IDE drive is inconvenient. Get a disk bigger than you ever imagine filling—200 MB or larger.

7. CD-ROM Drive

This increasingly popular device plays platters that look like audio CDs but hold about 600MB of data. Soon, most new software will be shipped on these. NB Tip: CD drives and accompanying sound cards can be a real headache to install; if you can get them included in a new system for \$400 or so, it's probably worth it. Insist on double-speed or faster drives; slower ones can drive you crazy.

8. Tape-Backup Drive

The easiest, least expensive way to back up hard-disk programs' data. NB Tip: Get one. Hard disks die; don't let your business records die as well.

9. Modem

A modem is a PC-to-telephone link that allows the tapping of electronic databases, sending and receiving electronic mail, and even sending and receiving faxes. It's an especially useful tool for home offices. NB Tip: Today's best values are data/fax modems that operate at 9,600 bits per second (bps).

10. Monitor

This is where PC and user meet face to face, and it's the wrong place to pinch pennies. For your eyes' sake, buy a bright, clear, flicker-free model. NB Tip: Unless you do lots of graphics, the best value is a 14- or 15-inch multiscan, noninterlaced (ni) monitor with a dot size (called dot pitch) of 0.28 millimeters and a refresh rate of at least 70 hertz.

11. Keyboard

This is the standard means of entering data, but models vary widely in feel and key placement. NB Tip: To ensure maximum productivity from PC to PC, be sure the placement of the cursor, control, and other nonalphanumeric keys is consistent from keyboard to keyboard.

12. Mouse

Windows programs have made standard equipment of this rolling device for pointing to objects on the monitor. NB Tip: Try to buy a PC with a dedicated mouse port so you don't have to devote a precious add-in-card slot or a serial port to the mouse.

13. Case, Power Supply

These are a PC's skeleton and the source of its electric power. NB Tips: Avoid "slimline" cases and power supplies under 200 watts, which severely limit expansion options.

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formance ratings of each PC's microprocessor, memory, video and disk subsystems, and more. Overall, it's a fast, easy, and scientific way to compare one computer with another. The price, including shipping direct from Micro 2000, is \$61.95.

Producing Perfect Printouts

Printers have finally become simple to set up and use. Most now come ready to run the instant you plug them into your office wall outlet and computer. Moreover, even today's low-cost printers are capable of churning out great-looking documents and graphics, in part thanks to the inexpensive, software-controlled typefaces (fonts) sold by most computer stores.

A small-office printer can cost from under \$200 to more than \$2,000, depending on capability and printing technology. But competition among manufacturers is fierce, so bargains are available among

comparably equipped laser, ink-jet, and dot-matrix printers.

Laser printers produce the best-looking text and graphics through a technology akin to the one used to generate images on a television screen. Even many less-advanced models can now produce resolutions of 600 dots by 600 dots per inch (dpi), as opposed to the older standard 300 dpi by 300 dpi. (The more dots per square inch, the higher the quality of the printout.)

As you might expect, laser printers cost more than other types, yet they can be affordable if you do not require one with a high output speed. For as little as about \$700, you can likely find a 600 dpi laser printer capable of producing four pages a minute, which should be adequate speed for many small firms.

Ink-jet printers have become popular among small-business owners because they are cheaper than lasers and their output is nearly as good, even on plain paper. As their name implies, ink-jet printers impart characters to paper via a nozzle capable of spraying precise droplets of ink. Two disadvantages of ink jets are their slow speed and costly supplies (as much as 8 cents a page in ink and paper). You should be able to find a good black-and-white ink-jet printer for \$300 or less and one capable of printing color for about \$200 more. Color printers—laser, ink-jet, or dot-matrix—are a real plus if you print graphs and charts for presentations.

Dot-matrix printers contain a print head consisting of columns of wires (called pins) that produce characters much as a typewriter does: The print head strikes the ribbon, moves, and strikes it again. The best are 24-pin models (referred to as letter-quality). These are available now

Phone Options For Best Impressions

Lana McCrary operates a consulting business in Tampa, Fla., but you could never tell that her company is home-based by calling the firm. Although McCrary has just one telephone, it produces two distinctive rings: one for client callers using her business number, the other for friends and family calling on her private line.

By purchasing this inexpensive option from her local phone company, she can consistently answer business calls in a highly professional manner, says McCrary, whose business, named Solutions, helps other companies and individuals manage time and organize space.

And although McCrary, who is the company's lone employee, owns an expensive answering machine, she has set it aside in favor of her phone company's voice-mail service. For a total of \$14 a month in fees, McCrary says, she has a telephone setup that callers cannot distinguish from a large company's system.

Even in today's high-technology world, the telephone is the most important piece of small-office equipment. It is not only a company's lifeline to the outside world, it can also give potential customers their first impression of your business. So when setting up your small office, be sure to follow McCrary's example and explore in depth the range of services offered by your local phone company.

The most popular of these services is voice messaging. "It's real important for small businesses to answer the phone," says Rosemary Grauer, systems engineer for Bell Atlantic Small Business Services,

yet "start-ups don't like to waste a lot of money on hardware and systems." By subscribing to voice mail, which enables your telephone to take messages and

service. "A lot of our small-business customers are using that service to provide detailed information about their various products or services, instead of employing a receptionist to give all that repetitive information," Grauer says.

With the fax machine having become an essential tool of small business, some firms are relying on the same phone line for both faxes and business calls, as McCrary does. But many are adding dedicated fax or fax/modem lines to minimize the possibility of losing calls or faxes.

Phone companies, meanwhile, have begun to push a service called ISDN (integrated service digital network), which is a way to connect to outside services without a modem and to transfer information at far greater speeds than are possible using a modem. One of the trends driving this new service is the increasing desire of many small businesses to tap into on-line data bases.

If you have a need for fast transfers—if you are a supplier for a large business that requires electronic data entry, for example—the cost of the special ISDN telephone sets can be made up in the savings achieved through increased speed of transfer.

—Ripley Hotch



PHOTO: GREG PERINO

Phone-company services give big-company professionalism to consultant Lana McCrary's home-based firm.

store them until you return, small-business people can leave their office without fearing something will be lost while they're away, she says.

A popular embellishment of voice mail—and a feature that most callers associate with larger businesses—is the message board. It's familiar to most consumers as "press 1 for more information, press 2 for a list of options," and so on. Many entrepreneurs don't realize that local phone companies also offer this

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Call 1-800-554-4446 for a free demonstration disk, or get the facts by fax at 1-800-NETWARE, request document #9017.



NOVELL. The Past, Present, and Future of Network Computing.

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for less than \$200, though better models cost as much as or more than ink-jet printers. Dot-matrix remains the technology of choice for printing on wide sheets or long, perforated strips of paper. It excels also at printing multipart forms.

Getting The Fax Right

Forty-three percent of business owners with fewer than five employees and 67 percent with five to nine employees regularly send or receive faxes, according to the Business Research Group study. The stand-alone type of machine has become the overwhelming fax tool of choice, the study shows, with PC modems with fax capability and commercial fax services trailing distantly.

The experiences of Lana McCrary, who owns a Tampa, Fla., firm that specializes in the management of time and space, illustrate the preference for stand-alone faxes. "It's just too hard and time-consuming to [scan] things in the PC and fax them out" through a modem, and it's equally tough to manage incoming faxes, says McCrary, who is now in the market for a free-standing fax.

Businesses can also find safety in redundancy, according to Barks, the data-base consultant. "I have a fax modem and two fax machines. That way, if one goes down, I still can communicate" with clients, he says.

Until just a few years ago, fax machines that printed on thermal paper were the small-office standard. Although thermal paper curls and fades over time and can be unpleasant to touch, machines that use it are still sold because they cost only a few hundred dollars.

Indeed, thermal-paper faxes are cheaper and more plentiful than ever, but now there are affordable plain-paper alternatives, which use ink-jet printing technology. You can buy these machines for less than \$1,000, and they can double as low-volume copiers. Ink-jet faxes have the same drawbacks as ink-jet printers: They are slow, and their supplies are expensive.

Of course, the most elegant fax machines use laser technology, but they cost two to three times as much as comparably equipped ink-jets. Before dismissing this option as too costly, however, keep in mind that supplies are inexpensive and that a laser fax can also serve as a high-quality copier.

After deciding what fax technology is best for your office, do comparison shopping on the basis of features—even though you may never use many of the frills that are standard on even bottom-of-the-line machines. Three tips:

■ Get a fax with sufficient memory to retain at least several incoming pages if the paper runs out.

■ If you have only one phone line, get a

fax with a built-in fax/phone switch to route incoming calls properly.

■ If possible, get a fax that sends at 14,000 bits per second, which cuts transmission time to about six seconds a page.

The Best Of The Rest

Following are a few words about several other office devices of potential benefit:

Copiers: If you bought a plain-paper fax and don't mind an occasional visit to a commercial copy shop, you may never need a copier. If you do buy a copier, however, make sure it's a model that at least reduces and enlarges odd-size docu-



PHOTO: SCOTT GOLDSTEIN

"Most business people get into trouble by underestimating the computing power they will need for even relatively simple applications," says consultant Kevin G. Barks.

ments, does two-sided copying, and collates finished documents. Expect to pay more than \$2,000 for such a copier.

Scanners: The hand-held scanner that reads type costs only about \$200, and it is gaining long-overdue recognition as an immensely useful tool for dressing up documents with photos and other graphic elements, including signatures.

"Scanner sales are poised to soar as they become the primary input device for communications, multimedia, publishing, and office automation," says Kristy Holch, an analyst for BIS Strategic Decisions.

Multifunction Devices: Last fall's Comdex computer exposition in Las

Vegas marked the debut of more than two dozen of these devices, which combine two or more office functions such as computing, printing, faxing, copying, and scanning in a single, compact, and almost foolproof package.

As choices increase and prices drop because of competition, multifunction devices will become standard fare in many small offices. Watch for sensibly priced multifunction devices that serve your firm's purposes.

Mailing Equipment: If you routinely mail large envelopes or anything else requiring more than a 29-cent stamp, consider acquiring a postage meter and an electronic scale. These systems, which are generally too expensive to buy but which rent for as little as about \$25 a month, can pay for themselves by elimi-

nating the tendency to guess what the proper postage is, then adding another stamp or two to be safe.

If you still have doubts about your ability to identify the right technology for your small office, be determined, not disheartened. Even a high-tech entrepreneur like Erica Swerdlow admits that learning to put computers to work has been challenging. "It's been a tough learning process, but it's been interesting," she says.

No doubt it has also been profitable. ■

To order a reprint of this story, see Page 72.
For a fax copy, see Page 5.

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HEALTH-REFORM WATCH

Debate On Health Reform Broadens

By Roger Thompson

After five months of intense public scrutiny, President Clinton's health-reform plan is in serious trouble on Capitol Hill.

Broad opposition from business and other groups has put Congress under severe pressure to abandon several of the Clinton plan's most controversial elements; they include the mandate that all businesses pay some part of the cost of health insurance; the provision for large, highly regulatory purchasing alliances; and insurance price controls.

The U.S. Chamber of Commerce, the Business Roundtable, and the National Association of Manufacturers all made headlines recently when they declared their opposition to the Clinton plan.

Although the administration might hope to weather business's opposition, the nation's governors aren't buying Clinton's plan either. And without their support, Congress isn't likely to enact the most controversial aspects of the president's proposal. Despite lobbying from top administration officials, the National Governors' Association has rejected employer mandates, price controls, and large purchasing alliances.

Even as the Clinton plan stalls, lawmakers across the political spectrum still expect some kind of health-reform legislation to be enacted this year.

Seven major reform proposals currently are under consideration. While they differ greatly in details, most share a broad middle ground where bipartisan consensus is emerging about the elements that should be included in a final reform bill. Among the elements most often mentioned:

■ **A standard minimum package** of benefits would make it possible for purchasers of insurance to compare costs, which is practically impossible today because no two policies are exactly alike. A standard plan would also abolish the complex tangle of the more than 1,000 state health-benefit mandates.

■ **Insurance-market reforms** would put an end to the widespread practices of denying insurance to people with pre-existing conditions and of hiking rates or canceling coverage once someone becomes ill.

■ **Health-plan report cards** would make it possible for purchasers to factor price and quality into their buying decisions.

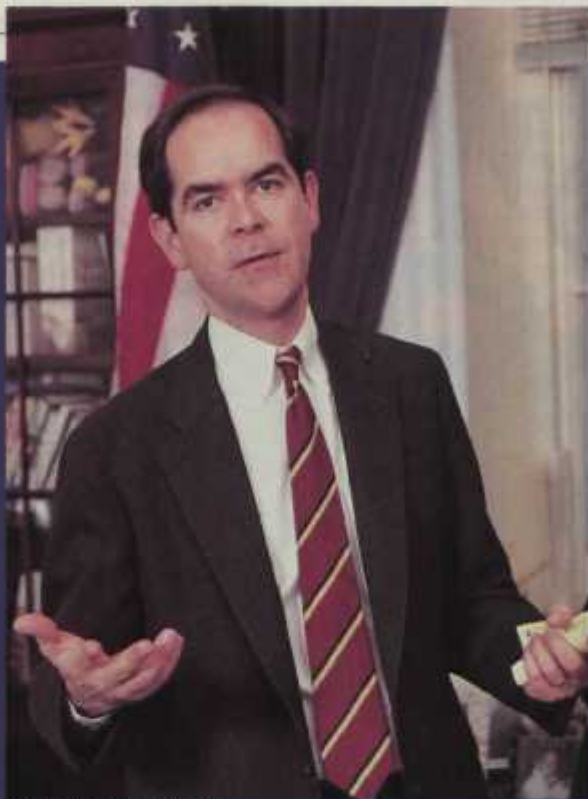


PHOTO: MICHAEL BRACE-BLACK STAR

Rep. Jim Cooper likes to call his health plan "Clinton Lite."

■ **Consumer choice** and incentives for consumers to be more concerned about health-care costs are keys to cost containment. Employers who offer insurance should provide choices of plans. And consumers should bear some part of the actual cost of coverage through co-payments and/or deductibles.

■ **Voluntary purchasing pools** for individuals and small employers—generally defined as those with fewer than 100 workers—would give them the buying power in the marketplace currently available to larger companies.

■ **Federal assistance** to low-income individuals and families would eliminate price as a barrier to coverage for those with incomes below or near the poverty level. Medicaid, the federal and state health-care program for the poor, covers less than 50 percent of the nation's poor.

■ **Administrative simplification** would cut billions of dollars annually in health-care-system costs by replacing the current multiplicity of insurance-reimbursement forms with a single, national standard form.

As the president's plan comes under growing attack, rival proposals are gaining more attention.

■ **Medical-liability** reforms would reduce the amount of "defensive medicine" practiced by doctors who fear being sued by disgruntled patients.

■ **Tax equity** for the self-employed would give this group the same deduction for buying insurance that is available to other businesses. Currently, the self-employed may deduct only 25 percent of their health-insurance costs.


These elements of reform have achieved consensus status because they push the health-care-delivery system toward more access and affordability without adding greatly to government costs or regulation. They clearly provide a framework for reform. All have been endorsed by the U.S. Chamber.

The chief beneficiary of this search for a middle ground on health reform has been Rep. Jim Cooper, a Democrat from Tennessee. His is the only reform bill with bipartisan support: 32 Democrats and 26 Republicans. And it incorporates all of the consensus elements. (See the chart on Page 32.)

The Business Roundtable, representing 200 large corporations, picked Cooper's bill as "the best starting point for reform." The National Governors' Association adopted a list of incremental reforms that prompted Cooper to claim: "They're basically endorsing my bill." For its part, the U.S. Chamber has not endorsed any reform bill.

Cooper likes to characterize his plan as "Clinton Lite." Unlike the president's plan, it contains no employer mandate to purchase insurance, no price controls, and no highly regulatory purchasing pools.

Nonetheless, both the Clinton and the Cooper proposals spring from the same theoretical source, namely, a reliance on "managed competition" to control skyrocketing health costs. Managed competi-



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HEALTH-REFORM WATCH

tion would reorganize health-care delivery by pooling small businesses and individuals into purchasing groups.

Cooper's approach would rely on market forces to control costs of health insurance. Under Clinton's proposal, price controls would kick in if premiums exceeded a specified level.

Cost controls under Cooper's plan rely largely on a change in tax laws. Currently, employers may deduct the full cost of any health plan, regardless of how expensive it is. To promote the use of more-cost-efficient health plans, Cooper would limit the tax deduction available to all employ-

the problem of the lack of insurance for 38.5 million Americans. "Universal coverage isn't like a light switch; it's like a dimmer switch that you turn on slowly," says Cooper. "Our bill is 80 percent bright without blowing any fuses."

Cooper's bill recognizes, however, that many Americans without health insurance today are poor or earn low wages and could not afford coverage even under the reformed system. To assist them, he has proposed a new program of federal subsidies to the poor and nearly poor.

Medicaid, the federal program that pays for health care for the poor, would be abolished. All individuals and families earning less than 100 percent of their state's poverty level would receive free health care through the purchasing co-ops. The Urban Institute, a nonpartisan research organization in Washington, D.C., estimates that 39 million Americans would qualify for the full federal subsidy under the Cooper plan.

Individuals and families with incomes between 100 percent and 200 percent of the poverty level would be eligible for federal assistance, based on a sliding scale that would be phased out for anyone above 200 percent of poverty.

Even without a mandate, Cooper contends his insurance-market reforms and subsidies for the poor and the nearly poor would go a long way toward solving

the problem of the uninsured. The nonpartisan Congressional Budget Office estimates that 15 million uninsured people would buy insurance or have it bought for them under Cooper's plan.

But Cooper's plan is not without critics. Small businesses in particular have reason for concern:

■ Cooper's reform bill asks Congress to act first and approve a standard benefits package later, making it impossible for businesses and government to calculate their costs under his plan. "If ever there were legislation veritably stamped, 'Trust me; I am from the U.S. Congress, and I am here to help you,' this is it," says Henry Aaron, an economist at the Brookings Institution, a Washington, D.C., policy-research organization.

■ Businesses that chose to provide a health plan more generous than the standard plan would get hit with a 34

The Cooper Plan And Small Business

Here are the primary aspects of the Cooper plan:

1. No company would be required to pay for employees' health insurance, but all employers would have to offer insurance. If employees decided to purchase coverage at their own expense, the employer would have to withhold money and forward payments for the employees.

2. Companies with 100 or fewer workers that decided to buy insurance would have to do so through a regional health-plan purchasing cooperative (HPPC). Those with more than 100 workers could purchase plans from private insurers or could self-insure.

3. Employees—not employers—would select a health plan from the range of plans offered by the purchasing cooperative. But the employer would determine what percentage of the total cost to pay and whether to pay for dependents.

4. All insurance plans sold through the co-ops would have to meet certain federal requirements. For example, there would be a standard benefits package defined by a federal commission, and a person's medical condition could not be used to deny coverage, raise rates, or cancel a policy.

5. Insurance agents would have little or no role in selling health plans to small businesses, although Cooper's bill specifically would allow them to receive commissions for assisting businesses in the selection process.

6. Cost containment would be achieved largely by setting a limit on the tax deductibility of health insurance. The limit would be determined by the cost of the least expensive health plan in a co-op region. Companies that chose to pay for more-expensive plans would pay tax at the 34 percent corporate rate on every dollar over the limit.

7. The self-employed and independent contractors could deduct from taxable income the entire cost of their health insurance up to the cost of the least expensive plan in their local co-op.

8. Associations and business groups could no longer sponsor health plans for their small-business members.

9. Employers would be required to offer health insurance to part-time and seasonal workers, but they would not have to pay for it.

10. Employees could no longer use flex-plan pretax dollars to pay their share of health premiums or out-of-pocket expenses. But they could deduct from taxable income the amount they paid for their own health insurance—up to the cost of the least expensive plan in the local co-op.

Health-Reform Ideas With Broad Support



CHART: AMY PUGLISI

ers to the cost of the least expensive health plan in the local purchasing co-op.

In addition, the self-employed and individuals would get a new tax break. They could deduct their premium costs up to the limit of the lowest-cost plan.

If an employer or an individual purchased a health plan that did not meet the new federal guidelines, none of the amount paid would be deductible.

Cooper argues that his plan would accomplish most of the president's goals without the Clinton plan's added cost and excessive government regulation. But the president's most cherished goal—universal coverage—would not be achieved by Cooper's bill.

Although Cooper says he agrees with Clinton that universal coverage is important, he favors insurance-market reforms and restructuring the delivery of health care as necessary first steps to address

percent excise tax because of the new cap on deductibility. Alternatively, businesses could cap their contribution at the cost of the lowest-price health plan, forcing employees who pick a more expensive plan to pay the difference with after-tax earnings.

Either way, the tax consequences would be significant. The Congressional Budget Office estimates that the cap on employer tax deductibility would raise \$16 billion in revenues for the U.S. Treasury annually.

■ Cooper's plan provides for government-subsidized health plans for the poor and disabled who qualify for Medicaid through the same co-ops used by small business. And the plan would cap the annual federal contributions for subsidies to these needy groups. Insurers could make up any shortfall in the federal payments by raising rates for everyone else—including small businesses that purchased health plans through the co-ops. There is even a provision for passing part of the shortfall along to self-insured health plans used by medium-sized and large employers.

"It's like a premium tax," says Marilyn Moon, a health economist at the Urban Institute. "While Cooper tells you the HPPCs [health-plan purchasing cooperatives] are like farmers' markets, I don't know of any farmers' market that can tax Safeways."

If Cooper's plan had been in effect in 1991, federal subsidies for those below the poverty level would have fallen \$31 billion short of covering actual costs, according to a study by the Employee Benefit Research Institute, a nonpartisan policy-research organization based in Washington, D.C.

■ Government subsidies for all individuals and families with incomes below 200 percent of the poverty level would prompt some low-wage employers to drop insurance coverage and let their workers seek assistance from the new federal program, says the Congressional Budget Office.

■ The goal of making insurance more affordable for small businesses would be undermined if the expense of covering high-risk individuals in the co-ops offset savings from reduced administrative costs, says Moon. The Medicaid pool alone includes 2 million disabled persons who require high-cost care.

Although Republican conservatives have relished the weakening of Clinton's health plan on Capitol Hill, they are not satisfied with Cooper's plan either.

"The pendulum shouldn't stop at Cooper's plan," Rep. Richard K. Armey, R-Texas, recently told the U.S. Chamber's Board of Directors. "Cooper has fundamentally the same problems as Clinton: mandatory purchasing pools for small



PHOTO © STEVE ASKE—POLIS INC.

House Minority Leader Robert H. Michel favors a conservative approach to reform.

business and a government-defined standard benefits package. It also plants the seeds for future government control. If Clinton is only one step away from a [government-run] Canadian system, Cooper is only two steps away."

House Minority Leader Robert H. Michel, R-Ill., has introduced a reform bill that would encourage small-business purchasing pools but would not require them. And it would let the National Association of Insurance Commissioners define a


standard benefits package that all small employers would be required to offer, but they would not be required to pay any of the cost.

The bill also would reform insurance marketing practices to make plans accessible and portable. It would give individuals and the self-employed tax deductions for the purchase of health insurance. And the measure would provide tax incentives for individuals to set up medical savings accounts to pay for routine health-care costs.

Michel characterizes his bill as a "common-sense approach to health-care reform. It focuses on fixing the shortcomings of our health-care system, not overthrowing the entire system because some parts are not working right."

Michel has 141 Republican co-sponsors in the House, and thus he commands a block of votes that could keep the health-reform pendulum swinging well toward proposals that are more conservative than the Cooper plan.

With seven major health plans already introduced as legislation, and no clear consensus emerging around any of them, there is growing danger that Congress could split into partisan camps and deadlock over health reform.

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MANAGING

Finding A Lawyer For Your Business

By Kenneth A. Ehrman

The manager of a New Mexico ranch had fired an employee accused by a female co-worker of sexual harassment. The discharged employee, denying the charges and claiming that the management's investigation had been inadequate, sued and won a \$713,000 judgment.

Stunned by the award, the ranch manager complained that federal law demanded that he take "immediate action" on an employee's charge of sexual abuse, while state law required strong proof of "reasonable cause" to justify discharge.

Cases such as this one—involving complex issues as well as legal requirements that may seem unclear or contradictory—illustrate why companies need good legal advice on call. Small businesses are particularly vulnerable to the hazards of new laws, regulations, lawsuit-happy plaintiffs, and runaway jury awards. Acting, or failing to act, on a legal challenge in the right way at the right time has cost some owners their businesses.

In general, companies need a business attorney for routine matters and a specialist, such as a trial lawyer, for specific cases.

How do you find the right lawyer? It takes some searching. But investing time in managing your legal risks is an important part of running a business. And it pays dividends.

Following are the qualifications you should seek in your business lawyer:

- A practice with experience relevant to your business.

- An ability not only to answer questions as they arise but also to practice preventive law; that means anticipating problems, reviewing employment and other policies and contracts to avoid legal traps, and giving advice on new laws, regulations, and court decisions that can affect your business.

- A reputation as a practical problem-solver.

Kenneth A. Ehrman, of Monterey, Calif., was a business lawyer and litigator for 23 years before opening a practice as a consultant to businesses in alternative dispute resolution.



The time it takes to choose the right person to manage your potential legal problems is well worth it.

- A willingness to function as a partner.

- An awareness of your broad business needs rather than just narrow legal considerations.

- An ability to reconcile demands of the law with commercial necessities.

The nature of a business often requires specific legal knowledge. For example, a retailer, who at one time may have worried only about contracts with landlords and suppliers and occasional customer complaints, must today be prepared to comply with the Americans with Disabilities Act as well as state and federal civil-rights acts. Manufacturers accustomed to legal problems over product quality and liability, delivery obligations, and contracts for raw materials now face environmental requirements ranging from eliminating toxic waste to reducing air pollution.

A good way to begin your search for a lawyer is to check with other small-business owners in your community. Other leads may come from your accountant, your bank, or a trade association.

If your sources recommend a law firm without naming an individual attorney, ask the group's managing partner which member would best fit your needs. Guard against the possibility that once a large firm has you as a client, your matters might be assigned to someone unacceptable to you.

With promising recommendations for a law firm in hand, you can do preliminary screening of the assigned attorney by consulting a directory of lawyers, which is often available at a public library. Some directories provide background information on individuals, including age, education, publications, specialties, and representative clients. Others list specialists in areas such as patent law or bankruptcy. There are also state directories. (See the box on Page 35.)

When you have narrowed your list, do some comparison shopping. You can screen prospects initially by phone, making it clear that you are checking out the legal market. Focus on your criteria.

Find out how recently a prospect has handled a legal matter related to your field. What client references can he or she provide? Will the lawyer you are interviewing personally handle your affairs? At what point will the lawyer you are

interviewing be willing to recommend bringing in a specialist?

When you have a tentative choice, explain what services you expect. Keep in mind the four leading complaints by clients about lawyers: overcharging, procrastinating, keeping clients in the dark, and ignoring settlement possibilities in a desire to win at all costs (to the client).

Require a written agreement on fees and billing methods. The lawyer who quotes the lowest charges is not necessarily the best one for your business. There are several different fee arrangements. Without a clear understanding of client expectations and the likely costs of meeting them and without strict supervision, legal costs can get out of hand.

Stipulate at the outset whether you want periodic updates on changes in laws affecting your business. Do you want your lawyer to attend certain meetings at your company, such as discussions of possible new business alliances or important directors' meetings? Find out whether your lawyer is familiar with and willing to use alternatives to litigation, such as mediation and arbitration.

Above all, you must feel comfortable with the person or persons you are going to work with, and you should be sure that they understand their roles as advisers, with you in ultimate control.

Of course, you must recognize that on pure questions of law, the attorney is the expert. If he or she is to do a good job, you must provide all your relevant information and documents that the lawyer asks for, whether you think it helps or hurts your cause.

Keep your lawyer informed of new developments affecting your business. The more help you provide your counsel, the more chance he or she will have of success at a lower cost to you.

In choosing a lawyer to handle litigation, whether you are suing or being sued, many of the same criteria apply. But the choice of advocate may be even more crucial. A lawsuit is usually a one-shot venture, and the trial lawyer is your only tool in a case that may make or break your business.

Money Matters

Here are the most common types of fee arrangements between lawyers and their business clients:

Hourly Fee: A fee based on the time spent on a matter. Get an estimate of the time needed and any charges not included in the fee. You may want to set a dollar limit beyond which the lawyer must ask permission to proceed.

Fixed Fee: A set amount for a routine legal matter, such as incorporating your business. Determine what services are included and what charges are not.

Retainer: This term may apply to an amount paid to the lawyer to guarantee services on a particular matter, with additional work billed separately, or it may be an amount paid to have the lawyer "on call" to handle routine legal matters.

Contingency Fee: This is a payment to the lawyer based on a percentage of what you recover after trial or in a settlement in a case, such as a recovery of excessive taxes against your property. The client pays costs and should find out whether the lawyer's fee is calculated before or after costs are deducted. You should also determine whether and under what arrangement you pay the lawyer for related matters that arise as a result of the case.

If you have retained a trial lawyer, either to sue someone or to defend your company in a lawsuit, you should require:

■ **A litigation budget and risk analysis.** How much is the action expected to cost at various stages of the case, and how are the services broken down? How long will it take to reach a conclusion? What are the chances of settlement? Your decision on how to proceed must be based on the costs (including the time value of money if you are seeking recovery), the risk and amount of possible loss, the diversion of executives' time, and the possible rupture of ongoing business relationships.

■ **Your approval in advance of projected discovery actions, such as deposi-**

tions, motions, and briefs the attorney intends to file. These are usually the most expensive items in litigation.

■ **Copies of letters and other materials** the lawyer is preparing or has used in your case. Be kept up to date on all legal activities.

■ **A clear understanding** by the lawyer that you are looking for a business solution, not a legal victory. Since 90 percent of cases are settled before trial and 85 percent of legal expenses are incurred before settlement, an early settlement usually makes better business sense than a legal victory or even a slightly better settlement months or years away. It's not unusual to hear stories about spending \$100,000 in legal costs to reach a \$10,000 settlement.

Work with your lawyer at the outset to determine your minimum acceptable outcome, remaining flexible as new circumstances arise. If your adversary is another business, especially one with which you will have further relationships, don't let your lawyer dissuade you from talking directly with its executives if you feel it might help bring about a settlement.

If, despite your instructions, your lawyer ignores your requirements, you should have a frank talk about the problem immediately. Irritations such as unreturned phone calls, failure to inform you of actions taken, and unreasonable delays can be avoided if you make it clear in advance that those deficiencies will be reason to look for other representation. You should be ready to change attorneys without feeling apologetic.

A change should not be made in haste, however, because such a move means you have to find and educate a new advocate and pay charges incurred to date by the attorney you are dropping.

If you have done your homework, chosen well, and made your requirements clear from the start, the relationship with your lawyers should be one of the best investments your business has made. ■

To order a reprint of this story, see Page 72.
For a fax copy, see Page 5.

Legal Directories For The Search

Some of the following directories can be found in public libraries and law libraries. All can be ordered from their publishers.

Martindale-Hubbell Law Directory: This is the most comprehensive directory, listing virtually every lawyer in the United States and in many other countries. Information for each lawyer includes age, education, date of admission to the bar, publications, specialties, and a list

of representative clients. Ratings of lawyers may be dated. Published by Reed Reference Publishing, 121 Channon Road, New Providence, N.J. 07974; (908) 464-6800, or 1-800-526-4902.

Attorneys Directory: Lists 420,000 lawyers. Published by American Business Directories, Inc., 5711 S. 86th Circle, Omaha, Neb. 68127; (402) 593-4600.

The American Bar: Lists 94,000 law-

yers in the United States and other countries, with names, educational data, and type of practice. Published by Forster-Long, Inc., 3280 Ramos Circle, Sacramento, Calif. 95827; (916) 362-3276.

Campbell's List: One of the oldest directories, listing 1,700 law firms. Published by Campbell's List, Inc., 100 E. Ventris Ave., P.O. Box 428, Maitland, Fla. 32751; (407) 644-8298.

REGULATION

Clean Air Act's Car-Pool Mandate

By Laura M. Litvan

A federal air-quality rule is causing some firms to alter workers' commuting habits—and previewing the future for many urban-area companies.



PHOTO: GARY BUTOW—BLACK STAR

A worker arriving alone in a car at Ventura Coastal Corp.'s citrus-processing plant in Southern California can pose a problem for Beverly Frethiem.

As the personnel manager for the 225-employee company, she has been given the arduous task of cracking down on employees commuting solo to work. Her assignment, which she assumed in the past year, came about after California implemented—ahead of schedule—a new federal mandate designed to reduce air pollution caused by automobiles.

The mandate arises from the federal Clean Air Act amendments of 1990 and applies to 10 metropolitan areas that have been designated as highest in air pollution. (See the list on Page 38.)

The federal regulations apply to companies with 100 or more employees, but the issue should also concern smaller firms. Not only do states have authority to extend the requirements of the law to firms with fewer than 100 workers, it is also not uncommon for Congress to later reduce original numerical thresholds of government mandates.

Under the federal law as it now stands, companies meeting the employment standard must implement plans that encourage workers to join car pools or find means other than automobiles to get to work. (See the list of suggestions on Page

Traffic in Los Angeles and nine other smoggy locales has been targeted by federal air-quality rules that businesses must implement.

39.) Enforcement is the respective states' responsibility. California began phasing in the rule several years ahead of the 1996 federal deadline for compliance by the 10 affected areas.

With the federal deadline just two years away, the concept of air-pollution reduction by discouraging auto use remains highly controversial. Employers are concerned not only about the added regulatory burden and paperwork but also about the prospect that some compliance measures—for example, revising work schedules to reduce the number of trips that employees take to and from work—could cut production.

And the basic approach has been challenged by a congressional agency that reviews the impact of legislation. Last August, the General Accounting Office (GAO) reported after looking into the auto-use mandate that "virtually none of the literature we reviewed or the persons we interviewed stated that [trip-reduction plans] would significantly reduce emissions."

Nevertheless, the new requirement is being implemented, and it has changed the way Ventura Coastal operates. Most notably, the workweek for administrative

employees is now four 10-hour days a week rather than the previous five eight-hour days. This "compressed workweek" reduces the daily average number of people traveling to and from the plant, thereby helping produce driver data that pass muster with local authorities, who enforce the federal mandate.

The company also said it might begin charging its workers \$100 a month for parking if volunteers didn't form car pools—a prospect that quickly produced some ride-sharers. The carpoolers are rewarded for their efforts with reserved parking spaces near the front door.

The program has had an impact, with average car occupancy for the firm's employees rising slightly since the company's plan went into effect last year. But the new task of shaping worker driving habits is not one that Frethiem relishes. Having some workers on a four-day workweek hampers operations, she says. "We do feel that although we have had success with our plan, it is costing us in terms of productivity. We could be accomplishing more if we were not confined by this plan."

The changes, implemented in April 1993 at Ventura Coastal, provide a

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REGULATION

glimpse into the not-so-distant future for many companies operating in the 10 regions. The 1990 amendments established limits for emissions of carbon monoxide and ozone-causing pollutants, which commonly escape from tailpipes. States with regions that exceed those limits must reduce air pollution within the next few years to specific levels, or risk losing federal transportation funds.

About 28,000 companies and 12 million employees will be affected, according to the U.S. Environmental Protection Agency (EPA). But the effects could become even more widespread. Under the 1990 amendments to the federal law, 45 other big-city areas with slightly less smog must reduce emissions of ozone-causing pollutants by 15 percent by 1996. Those areas will have more flexibility in finding ways to reduce pollution, but some are debating whether to adopt carpooling mandates.

So far, many employers who have already moved forward with "employer trip-reduction" plans are finding it a rather bumpy ride. They say it can be tough to force workers, many of whom have always commuted alone to work, to change their ways.

For example, managers at Precision Twist Drill Co., a company in Crystal Lake, Ill., eagerly volunteered to be a part of a pilot program related to the federal mandate in the Chicago area. Developing a plan wasn't easy, because there is no subway station or other means of mass transportation near the drill manufacturer's work site. Managers settled on voluntary car pools and van pools as a possible way to reduce solo commuting among the company's 900 headquarters workers.

But it wasn't long before the plan, which went into effect last year, began to falter. The company's only van pool broke up after only four months because employees who participated could not agree on a departure time, says Daniel McMullen, the company's corporate director for human resources. Most van-pool participants wanted to leave work as soon as their shifts were over but had to wait for others. "People wouldn't wait five minutes for each other," McMullen says. "They all went back to driving."

Like other employers who have implemented trip-reduction programs, McMullen put considerable time into fashioning a plan. The process began when Illinois officials, mirroring the efforts of regulators in other states covered by the law, calculated an average, regionwide automobile occupancy level between 6 a.m. and 10 a.m. In Chicago, the average was 1.09 riders per car. To comply with the clean-air mandate, McMullen has to produce an average job-site car occupancy that is 25 percent above that level.

To prepare his plan for Illinois officials, he first surveyed employees about their morning transportation and counted the number of drivers per car arriving in the company's parking lot. He found car ridership at Precision Twist Drill below the regionwide target. He then filed a report detailing a voluntary carpooling and van-pooling program to state regulators. "We've spent tremendous amounts

program, also expects to see little return for his efforts. Graham, facilities manager at Shure Brothers Inc. of Evanston, Ill., is offering preferred parking for carpoolers, guaranteed cab fare for carpoolers who have to work late, and shower facilities for bicyclers.

He says 75 of 500 headquarters workers are signed up with the program, but most of them were using alternative ways

Slamming The Brakes On Solo Commuting



Under the federal Clean Air Act, companies with 100 or more workers in the nation's 10 smoggiest metropolitan areas must implement strategies—like employee car pools—that cut back the number of employees who drive to work alone. States must approve company plans. Here are the tentative compliance dates for the regions affected:

Region	Employer Plans Submitted To State	Commuting Plans Go Into Effect
▲ Baltimore	1995	1996
▲ Chicago-Gary-Lake County	1996 (Ill. work sites) 1994 (Ind. work sites)	1998 1996
▲ Houston-Galveston-Brazoria	1994	1996
▲ Los Angeles-Anaheim-Riverside	Completed	1988
▲ Milwaukee-Racine	1994	1996
▲ Mojave Desert, Calif.	1994	1996
▲ New York-New Jersey-Long Island	1994	1996
▲ Philadelphia-Wilmington-Trenton	1995 (Pa. work sites) 1994 (N.J. and Del. work sites)	1997 1996
▲ San Diego	1994	1997
▲ Ventura County, Calif.	Completed	1990

SOURCE: U.S. ENVIRONMENTAL PROTECTION AGENCY

CHART: AMY PUGLIE

of time on this—to get the surveys out, put the responses in a computer, put a plan together," McMullen says.

McMullen will soon get results of a follow-up survey that will show whether the ride-sharing plan has had any impact on workers' driving habits. He doesn't expect to find progress, he says. "I don't know what's going to change these people's mind-sets and way of life. What am I going to do, fire them if they don't carpool?"

Greg Graham, a manager of a Chicago-area microphone-manufacturing company that is also participating in the pilot

of getting to work before it started last fall. Other employees are unlikely to change their solo-driving ways, he says.

"Society in general is just not ready for this," Graham says. "It's going to be very difficult to get people out of their cars. In this country, when we turn 16, we get a license. Then we just grow up driving."

For employers who will be affected by the Clean Air Act's mandate, the penalties for failing to meet regional ridership targets will vary according to the state where a work site is located. States will be taking very different approaches to enforcing the mandate—which could prove

frustrating to employers who have job sites scattered in a region that crosses state borders.

In some states, employers simply will be directed to use certain approaches, such as paying for subway passes. In others, employers will write their own plans, but if those fail to meet the targeted car occupancy, the company could be fined or could have to use a more stringent plan written by regulators.

Finally, other states will require companies to submit plans, and the state must review each one to determine whether it is likely to have an impact. Generally, regulators in these states will crack down only on companies that ignore the mandate or falsify data, with fines as high as \$25,000 per day.

To develop an effective plan, many employers may find that they have to take steps to discourage commuting by car—such as charging employees for parking on company lots—that might be unpopular with workers. In a 1990 study, the Federal Highway Administration examined 11 companies that were using trip-reduction programs to reduce work-site traffic congestion. The three that had the biggest impact on car occupancy had restricted parking for workers, and two of those firms charged employees to use available spots.

EPA officials say the most effective plans under the Clean Air Act's mandate will likely couple disincentives with alternatives, such as company-organized car pools, transportation subsidies, or amenities like bicycle racks.

So far, employers in Ventura County are learning that this mixture of disincentives and incentives is needed, says Pam Couch, the county's transportation-programs administrator. She says the successes of some employers using the mixture strategy have helped push the average rush-hour car occupancy among participating employers from 1.1 individuals per car to 1.3 individuals—13 people in

every 10 cars compared with 11 previously—since the mandate went into effect. "It's amazing what we've learned," Couch says of the mandate. "It works."

Despite her optimism, however, the General Accounting Office study indicates that most of the regulators who will enforce the new requirement are a bit pessimistic about how well it will actually achieve cleaner air.

The GAO surveyed air-quality officials in metropolitan areas that have failed to meet Clean Air Act requirements. About 80 percent of the officials responding said they think employer trip-reduction pro-

"Because of increased traffic congestion, even with cleaner cars, we still need to reduce the number of trips."

**—Constance Ruth,
Environmental Protection Agency**

grams will reduce emissions by no more than 3 percent if they have any effect at all. Experts who were interviewed for the study, the GAO said, emphasized that such programs must supplement more-effective clean-air measures, such as tighter emissions standards and cleaner fuels.

In noting that its investigation has not found support for the assumption that trip-reduction plans "would significantly reduce emissions," the watchdog agency said: "Nearly all discussion on the impact of [such programs] on air quality emphasized their modest but complementary role."

But EPA officials say that trip-reduction plans are important because increased traffic congestion is blotting out some of the benefits of the cleaner-

burning fuels and lower-emission cars that are becoming available. Cars that are stalled in traffic emit more pollutants than those that are moving, they say.

"Because of increased traffic congestion, even with cleaner cars, we still need to reduce the number of trips," says Constance Ruth, environmental-protection specialist with the EPA's National Vehicle and Fuel Emissions Laboratory in Ann Arbor, Mich.

Indeed, automobile trips have risen in recent years, according to Federal Highway Administration data. The average number of trips per American household increased from about 1,400 in 1969 to 1,700 in 1990, a rise of about 22 percent, the highway administration reports.

The number of trips, however, is rising largely because people are driving more frequently in their off-the-job hours, according to highway administration data used in the GAO study. For example, between 1969 and 1990, the average number of household trips per year to conduct family and other personal business grew by 111 percent, to 411 trips annually, the data indicate, while trips between home and work crept up by only 1 percent, to 448.

GAO researchers recommended that the EPA closely monitor how well the employer trip-reduction mandate actually reduces air pollution. They also suggested that market-based disincentives that touch all drivers, not just employees of certain-size companies—such as an increase in the gasoline tax—might be more effective in helping to reduce emissions.

While states do have authority to extend the mandate to smaller firms, there was a backlash in the one state where this occurred—California.

Officials in Ventura County initially extended the mandate to employers with 50 or more workers (compared with the federal rule of 100 or more), and air-quality regulators in Los Angeles discussed a similar move. But after much opposition from smaller firms, the California legislature recently passed a bill prohibiting such action until 1996.

All of this, of course, is little comfort to the companies that are having problems with the mandate. At Ventura Coastal, managers say the requirement is forcing them to rethink their plans for increasing production capacity at the Ventura work site.

The employer trip-reduction mandate is causing them to switch the expansion to two sites elsewhere in California—places not affected by the rules—or to contract out additional work.

"When you add up all the government regulations," Frethiem says, "it would be easier to consider options and locations where regulations are less restrictive." ■

Steps Employers Can Take

The U.S. Environmental Protection Agency has offered these examples of measures that employers might include in their employee trip-reduction plans:

- Offer cash incentives.
- Give workers who don't drive an allowance equivalent to what would be paid to provide them a parking place.
- Institute compressed workweeks.
- Subsidize use of public transit.
- Require workers who drive alone to pay for parking.
- Sponsor and/or subsidize car pools and van pools. Provide comprehensive

ride-share matching service. Offer company-owned vehicles for ride sharing.

- Offer preferential parking for car pools and van pools.

- Subsidize midday shuttles to local shopping areas.

- Guarantee a ride home to workers required to work beyond the departure of their car pools.

- Establish or improve on-site amenities, such as shower facilities, for employees who bicycle to work.

- Offer telecommuting and work-at-home options.

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TAXATION

How To Survive An IRS Audit

By Joan C. Szabo

Most small-business owners live in fear of receiving a notice from the Internal Revenue Service saying they have been selected for an audit. But if your return becomes part of this year's audit process, don't panic. There are a number of steps you can take to get through the experience with as little business disruption and personal frustration as possible.

Keep in mind that the IRS accepts most federal tax returns as filed each year. But it does examine or audit a percentage of individual and business returns annually to verify correctness of income, expenses, and deductions.

Although you may end up paying more taxes once the audit is complete, that's not always the result. Sometimes there's no change in the amount of taxes owed.

The taxpayer's best strategy for responding to an audit by the IRS is to remain calm and to cooperate with the agency, says David Bradt, a partner with the accounting firm of Arthur Andersen & Co. Any actions that prolong the audit process could lead to higher tax and penalty assessments, he says.

The number of returns selected for examination by the IRS each year is small in relation to the number filed, but some taxpayers have a greater chance of being audited than others. The most recent figures available indicate that of the 113.8 million individual returns filed in 1991, 1.03 million, or 0.91 percent, were audited by the IRS, down from about 5 percent in the mid-1960s.

For high-income individuals and those reporting business income, the percentage of returns audited rises. In 1991, for example, the IRS audited 4.92 percent of individual returns with "total positive income" of \$100,000 or more. Total positive income does not take into account the losses and deductions claimed on a return.

Computers programmed with an undisclosed scoring system first identify returns with audit potential. "Using a pen-



PHOTO: GLEN TOUCHTON

Tax accountant David Bradt says deductions for home-office expenses receive close IRS scrutiny.

alty-point system, the IRS computers assess points to each line item of the return," says Arthur Andersen's Bradt.

The returns with the highest number of points are then analyzed by IRS district personnel, who decide which will be audited.

Line items that typically receive the closest scrutiny include home-office and entertainment expenses and significant charitable contributions, Bradt says. "The home office attracts attention because the [IRS] has been successful in severely limiting this deduction," he notes.

Other items or circumstances that can frequently draw the IRS's attention include business expenses that are large in relation to income; another is gross receipts of \$100,000 or more reported on IRS form Schedule C, used by self-employed individuals to report business income. Taxpayers claiming business expenses, Bradt says, "need to be able to

Don't be defensive. Instead, concentrate on being calm, cooperative, and prepared.

substantiate the expenditure and the deductibility of the items."

The IRS also selects returns by examining claims for refunds and by matching information documents with taxpayer returns to check for discrepancies. The information documents include W2s, a report of earnings and tax withholding, and Form 1099, which provides details of interest and dividend income and mortgage interest.

According to the 1992 IRS Annual Report, of the \$4.3 billion in additional tax and penalties assessed from the matching program, 42 percent—or \$1.8 billion—resulted from underreported income. The remaining 58 percent resulted from the failure of taxpayers to file returns.

In an effort to boost tax compliance among small and medium-sized businesses, the IRS is developing a program called Market Segment Specialization Program (MSSP). The agency estimates that improving voluntary compliance by 1 percent can result in an extra \$7.5 million in tax collections each year.

Under this program, the IRS is giving its auditors and revenue agents industry-specific guides to explain how particular industries function and to improve the way in which the IRS audits a business once it is selected for examination. For many small and medium-sized companies, the MSSP translates into a tougher audit and closer scrutiny, say tax experts.

The guides provide detailed reviews of how individual industries operate and the factors that IRS employees should look for when reviewing a business return from the MSSP-selected industries. Guides issued so far (87 are planned) include law offices, air charter companies, trucking firms, and taxicab operators.

On the plus side, a company in an industry covered in a guide can use it to organize the firm's tax affairs to try to avoid an audit or come through one with as little difficulty as possible.

With individual returns, the IRS often conducts examinations through the mail. The taxpayer receives a notice from the IRS asking that documentation of a specific item on a tax return be submitted by mail to the IRS. These are known as "correspondence audits" and are generally limited in scope, with the agency questioning only one or two specific items.

"Office audits," so named because they

take place at an IRS office, are often broader in scope; the examination may be expanded to cover more items on the return.

Whether you experience a correspondence or an office audit, you should try to conclude the examination as quickly as possible by providing the documents and facts requested. Keep in mind that an IRS examiner has the legal power to force a taxpayer to produce records to complete the examination. But taxpayers also have a number of important rights in dealing with the IRS.

Those rights are largely a result of the Taxpayer Bill of Rights, which was enacted in 1988 and deals with, among other things, the rights of privacy as well as confidentiality, courtesy, and consideration. Under this law, for example, taxpayers are permitted to make an audio recording of an interview with an IRS collection or examination officer. The request to record the interview should be made in writing, and it must be received by the IRS at least 10 days before the interview is scheduled to take place.

Further details of the bill are contained in IRS Publication 1, titled *Your Rights As A Taxpayer*. To obtain a copy of the publication, call the IRS's toll-free number, 1-800-829-FORM, or 1-800-829-3676.

If you face an IRS audit this year, there are a number of steps you can take to

bring the process to a satisfactory conclusion:

■ **Don't be defensive.** If you have maintained accurate records to support your deductions and have reported all your income, the audit should be routine. Provide the information or documentation requested and no more.

■ **Be prepared.** Preparation starts with maintaining scrupulous books and records. Keep all relevant receipts and a detailed mileage log for business travel. "The better your record keeping, the better your chances of prevailing in the audit," says Samuel Weiner, a partner in the law firm of Cole, Schotz, Meisel, Forman & Leonard, in Hackensack, N.J. Weiner concentrates on adversarial tax proceedings.

■ **Have an explanation for each item** in question, says Arthur Andersen's Bradt. Keep in mind that the burden of proof is on the taxpayer. "Be prepared to be challenged," he advises.

■ **Meet all deadlines** set by the IRS in any audit notice. If the IRS says you have 30 days to respond to a request for information, be sure you respond within 30 days, says Pete Medina, a principal with the accounting firm of Ernst &

Young in New York and a former district director for the IRS office in New York.

"If you don't respond in a timely fashion, you could find yourself in a situation where taxes are assessed based on your nonaction," he says.

■ **Have your accountant represent you** before the IRS, especially if the examination involves several areas of investigation. An accountant is less likely to encounter difficulties during the interview process. One of the biggest mistakes taxpayers make is to supply more information than is needed during an interview, Medina says.

You can appeal the findings of an examination through one of the IRS's Appeals Offices, located in 99 cities across the country. If the matter cannot be settled at that level, it can be taken to U.S. Tax Court; the court is convened at scores of locations throughout the United States.

Going through an IRS examination doesn't have to be unpleasant. Following the steps outlined above should result in moving the process along smoothly and resolving it as quickly and satisfactorily as possible.

To order a reprint of this story, see Page 72.
For a fax copy, see Page 5.

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ENTERPRISE

More Than Perseverance

By Sharon Nelton

Persistence and attention to detail produced the achievements of 1994's national Blue Chip Enterprises.



PHOTO: CORRIE STEWART-BLACK STAR

Never give up. That's what successful entrepreneurs often say when you ask them what their advice would be to other entrepreneurs. But a close look at the four national honorees in the 1994 Blue Chip Enterprise Initiative program indicates that more than perseverance is necessary to make and keep a company successful.

The Blue Chip Enterprise Initiative is a four-year-old program that recognizes businesses that have weathered extraordinary adversity and emerged stronger as a result. The awards program is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

Earlier this year, 200 businesses were named Blue Chip Enterprises representing their state, Puerto Rico, or the District of Columbia. (The complete list appeared in the March *Nation's Business*.) Of those, 51 were selected to go on to a national judging, from which this year's four top honorees were chosen. They received their awards recently at the U.S. Chamber's 1994 National Small Business Conference in Washington, D.C. They are:

In a technological breakthrough, Ralph Grosswald's Iowa company, GS Technologies, brought to market a pharmaceutical capsule that is free of animal products.

- East Coast Seafood, Inc., Lynn, Mass.
- GS Technologies, Inc., Fairfield, Iowa.
- Steiner/Bressler Advertising, Birmingham, Ala.
- Touchstone Research Laboratory, Ltd., Triadelphia, W.Va.

The people who run the national Blue Chip Enterprises represent the best of the best—entrepreneurs who have not only succeeded against withering odds but have done so with ingenuity, class, integrity, vision, and courage.

Here are their stories:

A Journey Of A Thousand Steps

Technological difficulties have posed the most frustrating problems for Ralph Grosswald, founder and president of GS Technologies, Inc., in Fairfield, Iowa. But that's no surprise.

This unusual company's sole purpose has been to create an innovative product

that would require new technology.

In the early 1980s, Grosswald, a longtime vegetarian, decided he wanted to find a way to make pharmaceutical capsules that would be free of animal products. This would enable vegetarians to consume medicines and food supplements without using capsules made of gelatin, which is an animal byproduct, or having to wrap up vitamins, herbs, or medicines in bits of rice paper. "It was like trying to swallow a gum wrapper," Grosswald says.

In 1983, Grosswald, who owned a natural-foods wholesale business, began to do market research on his idea. "Over 20 percent of the world's population is prohibited by religious proscriptions from consuming animal products," he points out. "Another 20 percent avoids pork products, which are usually components in gelatin capsules."

The following year, he found someone to manage his distribution company so he could devote more time to the new

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We salute this year's Blue Chip Enterprise designees. Their initiative is America's inspiration.



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ENTERPRISE

endeavor. And by 1985, he had secured the initial funding to develop his product and formed GS Technologies. (Its initials are taken from its shareholders, Grosswald Corp., a holding company Grosswald formed with a group of investors whom he has since bought out, and Solgar Vitamin Co., of Lynbrook, N.Y., GS Technologies' largest investor.)

Grosswald had estimated that it would take \$400,000 and a year and a half to develop his product. Instead, it took \$2.5 million and six years. But his backers stuck with him.

The result is VEGICAPS, a global product that is now sold in the United States, Canada, Europe, the Middle East, South America, Malaysia, India, and Australia. GS Technologies, which has nearly 35 employees, produces more than 5 million capsules a week in its plant in Orem, Utah.

To overcome the technological challenges, Grosswald turned to Dow Chemical Co. for technical assistance and for the vegetable cellulose used in VEGICAPS. When his staff didn't have the expertise to solve a problem, he drew on universities, which often provided bright graduate students at minimal cost. He found a retired expert on dehumidification to solve problems in drying the cellulose.

Asked what advice he would give other entrepreneurs who are confronted with extreme adversity, Grosswald says: "The real key is realistic assessment at every turn—realistic assessment of what you've done wrong, what you can do right, what resources you can bring to bear to get you to the next step. It's a journey of a thousand such steps where, at every step, that's what you have to do if you're going to succeed."

Meeting A Crisis Head On

Even the best-laid plans of the smartest of business owners can go awry. Consider the case of Michael J. Tourkistas, president of East Coast Seafood, Inc., in Lynn, Mass.

Tourkistas and his wife, Heidi, ran a restaurant in Peabody, Mass. In 1981, when they saw an opportunity to purchase the retail lobster market next door, they snapped it up and founded East Coast, a wholesaler of lobster, fresh fish, and shellfish.

East Coast calls itself the "World's Largest Distributor of Live Lobster," and no one has ever challenged that claim, says Tourkistas, a Greek immigrant. Last year, the company shipped more than 12 million pounds of seafood. Its annual sales top \$50 million, and it employs 100 people.

For a number of years, East Coast Seafood was growing steadily—from a regional to an international company. There came a point, however, when what should have been a solid strategic decision turned out to be almost fatal.

East Coast in 1986 purchased UMF-USA, the U.S. subsidiary of United Maritime Fisheries, a Canadian combine that represented 3,000 Canadian fishermen. The deal offered several important benefits: East Coast would take over UMF-USA's lease on a desirable building in Lynn. UMF was to be a guarantor of the lease, and East Coast made a \$200,000 nonrefundable deposit for the option to buy the property.

The transaction also included a marketing agreement that gave East Coast access to UMF's fishermen, greatly expanding East Coast's source of supply.

East Coast had occupied its new home for two years when, Tourkistas says, "everything that could go wrong went wrong." Environmental problems were discovered at the site, which meant that no Massachusetts bank would finance the purchase of the property.

Moreover, because of a change in Canadian law that meant UMF would no longer receive government subsidies, UMF filed for bankruptcy protection.

East Coast's landlord suddenly found himself holding a property that East Coast could no longer purchase and a lease with a guarantor that had declared bankruptcy. He sued to evict East Coast, demanding payment on the remaining lease and an additional \$500,000 in damages.

The Canadian bankruptcy trustee sued East Coast for the balance of a note signed with UMF for marketing rights.

When the lawsuits were settled, East Coast had lost nearly \$1 million, it had lost its new source of supply, and it was out of a home.

But Tourkistas knew the value of teamwork. He turned to Spiros Tourkakis, his



PHOTO: RICHARD HOWARD

Teamwork saved East Coast Seafood, says Michael Tourkistas, president. On his team are CFO James Bouras, left, and Spiros Tourkakis, vice president, right.

vice president and lifelong friend, to solve the supply problem, and he asked James Bouras, a new member of his management team and chief financial officer, to work on finding a new home for the company.

In both instances, good relationships that East Coast had built over the years paid off. In addition to scouring the Canadian coast for new suppliers, East Coast also looked to existing suppliers for more product. They were happy to help, says Tourkakis, because East Coast had always treated them as well as it treats its customers.

And since his restaurant days, Tourkakis had the confidence of Saugus Bank and Trust, which became the lead bank in a deal enabling East Coast to buy a former milk plant for its headquarters.

East Coast Seafood is more than back

Reinventing The Company

If ever a man rose to the challenge of leadership, it's John Zimmerman, president of Steiner/Bressler Advertising, in Birmingham, Ala.

First, one of his partners, Mary Faust, was killed in December 1991 in a plane crash that also took the lives of six top executives from Steiner/Bressler's largest client, the Bruno's supermarket chain. Ten months later, Zimmerman's other partner, Cy Steiner, the agency's president and founder, despondent over personal matters, committed suicide. The day after Steiner's funeral, Zimmerman's divorce became final. "That was probably the worst day of my life," he says.

As the company's surviving partner and with its co-founder, Harry Bressler, nearing retirement, Zimmerman became

the agency made a profit or suffered a loss.

Fatigued by the 10-month effort to recover from Faust's death and overcome by "not again" feelings at the loss of Steiner, the agency staff was also fearful about the company's future.

Zimmerman knew the agency would have to be "reinvented," and he reached out for help. Through his trade group, the Affiliated Advertising Agencies International, he found people who could sort out the financial muddle.

To address the needs of his dispirited employees and start rebuilding the company, Zimmerman took them on a weekend retreat at a rustic lodge. They held a symbolic funeral to say goodbye to the old Steiner/Bressler. Then they got down to the business of talking about what they wanted the new Steiner/Bressler to be



PHOTO: GREG CLEMMER

When his partners died, John Zimmerman turned to his staff for help in "re-inventing" Steiner/Bressler Advertising.

on its feet. The company has diversified its product line and has started a retail operation; it is aggressively expanding into new markets such as China; and Tourkakis says he expects annual sales to double to more than \$100 million by the end of the decade.

When you're faced with crises and setbacks, he says, "the No. 1 thing is to keep your team intact. . . . You have to be upfront with them. They all have to know what is going on. You might lose some, but the ones that will stay will be the important ones. The people made the difference in our situation here."

president. As the agency's former creative director, however, Zimmerman was not seen as a businessman but as "a creative." He didn't even understand cash flow. There were rumors on the street that the company wouldn't survive.

The agency would have to come up with \$1.6 million to buy back Steiner's shares from his estate; it was money the company didn't have. There was almost no financial data. Cy Steiner kept information in his head and, according to the agency's Blue Chip application, "there were no budgets, no projections, no cost accounting, no means of determining how

like. And Zimmerman listened.

As a result of their suggestions, Steiner/Bressler is now organized into units called Small Group Quality Assurance Teams; each serves as the "ideal" agency for a given client and can be more responsive to the client's needs. Zimmerman now shares financial information with employees so they can be more accountable for cost control. And the company has diversified so that it is less dependent on one major client. The agency had 10 clients when Steiner died; now it has 22.

For the first time, the company has



PHOTO: SCOTT GOLDSMITH

projections and budgets. Based on the financial information it put together, the agency negotiated the buyback of Steiner's stock from the \$1.6 million figure down to \$600,000. Annual gross billings have increased from \$11 million at Steiner's death to \$19 million.

Zimmerman, happily remarried, says he has learned from adversity: "When you feel like you can't handle another thing, tell your staff. Let them get involved with helping you. Don't hold on so tight to all your problems that you think you're the only one who can solve them."

Nurturing R&D At Lower Cost

When they started their research company 14 years ago in the basement of a former monastery in Wheeling, W.Va., with one piece of used scientific equipment, Elizabeth "Libby" Kraftician and Brian E. Joseph had a definite mission in mind. They wanted to create a national company that provided cost-effective research and development services to American manufacturers.

By hewing to that mission, this husband-and-wife team has built Touchstone Research Laboratory, Inc., to more than 35 employees and annual sales of \$2.9 million. And they have done so despite a battle with cancer.

"We started Touchstone because we felt that American industry was losing sight of the importance of developing new technology and applying it . . . to improve products, develop new ones, and maintain a competitive edge," says Kraftician, Touchstone's president.

The founders of Touchstone Research Laboratory, near Wheeling, W. Va., Libby Kraftician and Brian Joseph, coped with cancer while building their business.

Federal and university laboratories, she and Joseph felt, were not concerned with research that would help American manufacturers solve problems quickly and at affordable cost but instead favored expensive, long-term projects.

"It's not that we don't spend enough money," says Joseph, who points out that the United States has plowed more than \$1 trillion into research since World War II. But he contends that many basic industries—especially small and medium-sized companies—"haven't been touched substantially by this major investment."

Kraftician and Joseph, Touchstone's laboratory director, are proud that for as little as a few hundred or a few thousand dollars, they can help companies overcome difficult technical problems, often in a matter of days.

For example, Touchstone recently solved a costly metal-plating problem for one client for \$900.

And a home-appliance manufacturer paid Touchstone \$20,000 to correct a paint defect and saved more than \$300,000 over six months as a result.

"That bottom line for the manufacturer, his return on that investment, is extremely important for a small company," Kraftician says.

Having been through some lean years, Kraftician and Joseph know firsthand the importance of keeping costs down. Most of their \$10 million worth of scientific equipment was purchased used, and much

of it has been rebuilt by their employees.

For more than five years of Touchstone's early life, the couple say, they were so poor they would have qualified for food stamps.

But the toughest time came five years ago, when Kraftician underwent surgery for advanced ovarian cancer. From her hospital bed, she dictated parts of a National Aeronautics and Space Administration proposal to Joseph as he sat by her side with a computer on his lap. (They won the \$128,000 contract and have continued to do work for NASA.)

Today, Kraftician's health is excellent. But while she was in that hospital bed, she also laid final plans for West Virginia's first advanced-technology park. Now a reality, the park, called The Millennium Centre, is located on Interstate 70 in Triadelphia and houses Touchstone and three other high-technology companies, with more to come.

Kraftician and Joseph optioned the site and persuaded the Ohio Valley Industrial and Business Development Corp. to implement the project. It opened in December 1989, and the couple says it represents exciting new career opportunities for their state's "sons and daughters."

The center's dedication plaque reads: "Dedicated to the children of West Virginia, whose world is shaped by the entrepreneurs of today."

Two of those entrepreneurs are Libby Kraftician and Brian Joseph. NE

MANUFACTURING

Smaller Is Better, Nimbler, Cheaper

By John S. DeMott

In more ways than one, the times seem right for Light Machines Corp. of Manchester, N.H. Itself a small manufacturer whose sales soared 50 percent to a record \$6 million last year, Light Machines makes equipment that allows other small manufacturers to become more productive.

With its ProLight "machining centers," engineers can design and manufacture trial parts almost literally on their desktops. The company has sold about 3,500 of its ProLight machines, most of them to manufacturers large and small, at prices ranging from \$13,000 to \$25,000. The technology is called rapid prototyping. Essentially, the devices cut and shape metal or other raw materials into three-dimensional parts, from information in a computer. Says Mike Ogilvy, Light Machines' vice president: "You can design your part on a screen and actually cut it in the same office."

The devices enable users to avoid shipping a two-dimensional drawing to a parts-manufacturing service bureau and waiting for the part to be made. With ProLight machines, says Ogilvy, users "can make more than one [part], so that sales, marketing, production—everybody—can give their input much more interactively than each person doing it in a linear form."

Yet rapid prototyping is just one way manufacturers are becoming more efficient. The increasingly sophisticated uses of computers on the shop floor are also having a major impact. Workers who once tended a single milling machine, for example, are increasingly tending several when the mills are equipped with computer numerical-control devices that make the machines work by themselves.

While such efficiencies are causing some job losses, there are signs that factory job cuts may be coming to a halt,

While industrial giants are laying off workers, tiny companies are expanding sales and creating jobs. Here's how.

with small manufacturers leading the way in reversing that trend. While U.S. manufacturing employment dropped by 181,000 in 1993 and 319,000 in 1992, there are now faint signs of a turnaround.

Spurred by robust sales of new houses and brisk automobile sales, manufacturing employment could increase this year for the first time since 1988. Thomas Runiewicz, an analyst with the WEFA Group, an economic-forecasting firm near Philadelphia, says the number of manufacturing jobs will probably hold steady or possibly expand slightly. "This year, we will see the big erosion of manufacturing employment at least subsiding," he says.

Nearly all the new jobs will come from small manufacturers, as they indeed apparently have during the past five years. Cognetics Inc., a Cambridge, Mass., consulting group, reports that while the 500 largest U.S. industrial companies shed 1.3 million manufacturing jobs from 1988 to



PHOTO: RICHARD HOWARD

Buddha in rapid prototype: Bruce Olsen, president of Light Machines, holds a wax mold; its dimensions were computerized, then cut by the device at left. Mike Ogilvy, vice president, shows another part made the same way.

MANUFACTURING

1992, companies with fewer than 100 employees actually added 483,000 workers while becoming more productive.

Sun Hydraulics, in Sarasota, Fla., for example, which has sales of \$30 million annually as a maker of cartridge-style hydraulic valves, uses three ProLight machines to turn out sleeves, spools, and tiny pistons for valves sold to the earth-moving and construction industries, among many others. Seiko robots feed the part-making machines.

Yet Sun's employment has gone up dramatically, from 200 in 1988 to about 350 now. The person who was handling the operation before the robots came in wasn't laid off; instead, he runs the ProLight machine, programming both it and the robot so both talk to each other.

There is a training byproduct in all of this, too. Says Light Machine's Ogilvy: "If you use our machines to make parts, you're learning about a Cartesian coordinate system, you're learning about algebra, trigonometry—you have to go through all those systems. It's great for the kids who aren't the mainstreamers going to universities."

Increased employment in "high-performance" manufacturing industries, most of them small yet vigorous, is a trend encouraged by the Clinton administration, which is crafting a post-Cold War policy to speed the development and application of advanced manufacturing technology among companies of all sizes.

The administration wants Congress, by the late 1990s, to come up with over \$2.5 billion for various manufacturing initiatives. One is the Technology Reinvestment Project, which calls for the steering of military technology toward dual military-civilian uses in various ways.

The White House also wants to add to the seven manufacturing technology centers now operated by the National Institute of Standards and Technology (NIST). The centers encourage technical innovation among industrial companies, and the administration is calling for 100 more of them; about 35 would be major centers.

All the centers—both existing and proposed—are described as "manufacturing extension partnerships," or MEPs, designed to expand U.S. manufacturing prowess. They are comparable to the U.S. Agriculture Department's Extension Service. Congress has approved \$30 million in funding for MEPs this year, up from about \$18 million last year; \$60 million is targeted for next year. The administration wants the total ultimately to reach \$200 million. The money is to be used mainly to pay people who will travel from the centers to teach and provide other services.

This is just what the smaller manufacturer needs, says Steven Bomba, vice

president of technology at Johnson Controls, in Milwaukee. "You go visit a small company, and what you find is that they have no time to go to school. They have to work so hard to make a profit."

Bomba and others in U.S. manufacturing want the roving experts to become a part of the administration's concept of "teaching factories," essentially an outgrowth of the initiative of the Reagan-Bush era that led to establishment of the NIST centers.

Teaching factories would serve as dem-

onstration sites for advanced manufacturing technology, sometimes letting small manufacturers use machinery on a low-cost test basis to turn out their products.

ship by Friday. All kinds. Four or five colors. With eight or nine people. They do everything that's needed, plus they make skirts when they're not making slacks. It's all to demonstrate the technology.

"We're in the time-compression business here," Off continues. "We're trying to show people that you can produce a product when it's needed, and when the consumer's ready to buy it—rather than build products months in advance, have them sit on the shelf, and then have to mark them down."



PHOTO: GLEN STRATFORD-BLACK STAR

Quick changes: Joe Off manages the Textile/Clothing Technology Corp., a North Carolina "teaching factory" that makes varied clothing on short notice.

onstration sites for advanced manufacturing technology, sometimes letting small manufacturers use machinery on a low-cost test basis to turn out their products.

Fred Nichols, vice president of the National Coalition for Advanced Manufacturing, in Washington, D.C., an industry group working to shape the Clinton manufacturing technology program, says, "You can create a shared institution so small companies can experiment with these technologies on sort of a leased basis, modeled after what IBM did with computers in the late 1950s and early 1960s, where companies could lease time on the computer without having to lay out a lot of money for them."

A teaching factory in Cary, N.C., was set up in 1987 and is called the Textile/Clothing Technology Corp. Its budget is about \$6 million a year. A little less than half comes from the Clothing and Apparel Office of the U.S. Department of Commerce, the rest from contributors in the textile industry.

The factory produces women's slacks for 52 retail outlets of the Mercantile store chain, based in Cincinnati. Joe Off, the factory's managing director, says: "We take orders on Sunday and make and

Efforts to improve U.S. manufacturing, particularly among small companies, shouldn't be relaxed now that some small gains have been made against the Japanese in automobiles and semiconductors, says Brian Carlisle, CEO of Adept Technologies Inc., an industrial-robots manufacturer in San Jose, Calif. He notes the vast need for better U.S. manufacturing technology: "I have a list of about \$36 billion in products that we just don't have the manufacturing capability for in the U.S.: VCRs, \$10 billion. Camcorders, another \$3 billion. Portable audio and audio, another \$6 billion. Disc drives, \$16 billion."

Meanwhile, 1994 is shaping up nicely for all manufacturing. Industrial growth—that's gross domestic product minus the services sector—is predicted by most economists to grow at a respectable 4 percent. Business-equipment investment will be \$487 billion, up a healthy 11 percent, compared with a 3 percent increase just two years ago, in 1992.

A big chunk of this growth will come from large, muscled companies, but a good portion, economists say, will be by small companies eager to increase their productivity and sales.

LESSONS OF LEADERSHIP

Thriving On Challenges

By Albert G. Holzinger

Like the men and women who settled the stormy plains of North Dakota 100 years before he arrived there, William C. Marcil thrives on meeting challenges.

As publisher of *The Forum*—the newspaper of Fargo, N.D., since the pioneer days of the late 1800s—and as chief executive officer of Forum Communications Co., Marcil regularly faces tough choices in meeting the firm's century-old goal of serving the public while maintaining profitability.

And the task continues to grow during an era of consolidation and technological change in the print and broadcast communications industries.

Forum Communications Co. owns *The Forum*, which is North Dakota's largest-circulation newspaper—55,000 Monday through Saturday and 75,000 on Sunday. The company also owns numerous other publications and several television and radio stations.

As 1994-95 chairman of the U.S. Chamber of Commerce, Marcil is also helping promote the venerable business organization's grass-roots communications program. The Chamber believes that grass-roots activism has become more important than ever in successfully lobbying the federal government.

Marcil's willingness to take on challenges is evidenced by his decision to join the staff of *The Forum* 33 years ago. After earning a bachelor's degree in business administration from the University of North Dakota and serving in the Army, Marcil accepted a managerial job with good promotion potential at an industrial finance company in suburban Minneapolis. Shortly thereafter, he met and married the former Jane Black, a secretary at a Minneapolis credit company.

When his father-in-law, Norman D. Black, the third-generation family owner and publisher of *The Forum*, asked Marcil to become a retail advertising salesman, he and his new wife initially balked. "We certainly didn't jump at that offer,"

says Marcil, in part because career advancement was not guaranteed.

Six months later, however, Marcil accepted the position. Part of the reason, he says, was the appealing challenge of mastering a different profession.

He spent eight years grappling with every aspect of publication management, starting in the display-advertising department. He then served as classified-advertising manager, promotion director, pro-

The U.S. Chamber's 1994-95 chairman feels right at home presiding over growth and change.

duction manager, and assistant to the publisher. But his on-the-job training course ended abruptly in 1969, when his father-in-law died suddenly at age 57.

Marcil assumed the top spot in the family business at age 33. His initial reaction to the situation was awe, he says. "My first thought was, I'm just a punk kid, and all of a sudden I've got a pretty big job."

The formidable task Marcil faces this



William C. Marcil recently invested \$8 million in a new press to improve the color printing of *The Forum*. He says one of his biggest challenges "is making the product so compelling every day that people, particularly young folks, have to buy it."

LESSONS OF LEADERSHIP

year as chairman of the U.S. Chamber involves leading the organization as it builds on decades of success in petitioning the federal government on behalf of its 220,000 member businesses, trade associations, and local and state chambers.

Thanks to telecommunications and other advances in technology, business people can increasingly contact elected officials in Washington quickly, easily, and inexpensively. Thus, the Chamber is implementing a more aggressive, grass-roots-based lobbying strategy to supplement the work of its government-relations staff in Washington.

The Chamber is increasing the size and capabilities of its technologically advanced lobbying tool, the Grassroots Action Information Network (GAIN), which it put to work in 1993.

Chamber staff specialists are using this state-of-the-art network of computers and fax machines to send activist members timely, detailed information about key business issues so that they can register their support or concerns about legislation at critical points in the policy-making process. For information on becoming a grass-roots network member, call (202) 463-5604.

GAIN's maiden test contributed to a crucial, come-from-behind victory for U.S. companies in November, when Congress approved the North American Free Trade Agreement (NAFTA) after a tough fight with opponents of the pact. Says Marcil: "The Chamber found out quickly that a large and aggressive, grass-roots-based lobbying program is going to make it more effective in Washington. Grass-roots members are going to be able to move their congressional delegations a lot more than the Chamber's lobbyists alone."

In fact, Marcil adds, an organization that lacks a large and well-organized grass-roots network will have limited influence in Washington these days.

Marcil is confident that he can enlist widespread, enthusiastic support for GAIN among his business colleagues, his principal challenge as Chamber chairman. "Coming from a medium-size company in a sparsely populated state, I have the ideal background to relate to small businesses, and, of course, well over 90 percent of the Chamber's members have fewer than 100 employees," Marcil says. He adds that his extensive record of

involvement in the Fargo and North Dakota chambers of commerce will also be a valuable asset in relating to grass-roots members.

Marcil says his sales message to entrepreneurs will be: "You have to become more proactive than reactive. You can't just sit around the local coffee shop complaining about what's happening in Washington; you have to do something about it."

Marcil says he especially encourages activism toward achieving regulatory relief. "The bureaucrats have gotten so involved in regulating all kinds of businesses that it's having a tremendous negative impact," he says.



"You have to become more proactive than reactive. You can't just sit around the local coffee shop complaining about what's happening in Washington; you have to do something about it."

—U.S. Chamber Chairman
William C. Marcil

Marcil is no stranger to presiding over growth and change. Those are among the roles he plays at Forum Communications. The company has grown substantially under Marcil's leadership, from about 350 employees in 1969 to approximately 750 employees today.

In addition to its flagship daily and Sunday newspaper in Fargo, Forum Communications now includes a second daily paper, the *West Central Tribune*, and a weekly shopping guide in Willmar, Minn.; four biweekly papers in various rural Minnesota communities; two Minnesota-based commercial printing plants; and a prepress company in Fargo. The company also has four North Dakota television stations and two AM-FM radio stations, one in Fargo and the other in Grand Island, Neb.

Expansion is "good for employee morale," Marcil says. "The more properties a company has, the more opportunities it gives employees to improve themselves and move up. It certainly can be good for the business as well," although growing in size does not necessarily translate into

increasing profitability in the highly competitive communications industries, he says.

"The consumer has many information options now," he notes, including newspapers, magazines, broadcast television, cable television, radio, and rental videos. "One of today's real challenges for *The Forum* and other newspapers across the country is making the product so compelling every day that people, particularly young folks, have to buy it," he says.

Because of the widespread penetration of cable television and the abundance of over-the-air TV and radio stations, broadcast executives will find it increasingly tougher to make money than even newspaper publishers, Marcil observes. "The

local broadcasters that survive will be the ones that have specialized in local affairs. It gets back to satisfying the needs of the community in terms of programming."

Alternative income sources will also be crucial to the long-term prosperity of information companies, Marcil says. For example, the business of printing advertising circulars, home-buying guides, and the like has been lucrative for Forum Communications.

Not all of Marcil's entrepreneurial efforts have been successful. In 1982, for example, when few homes had personal

computers and on-line information services had yet to achieve popularity, Forum undertook an alternative news delivery venture. The company installed video terminals in 200 area households and downloaded agriculture news to them via telephone lines, but the system never gained acceptance.

Marcil reflects on the initiative: "Maybe we were too far ahead of our time. Maybe the news was not timely enough. In any event, it was a worthwhile experiment, the kind we will have to continue pursuing to remain competitive."

"It is a lot more difficult now to turn a profit than it was 25 years ago, when newspapers and television stations in any town in the country were automatic money-makers because, basically, there was no competition. Now, it is so much more competitive—and more challenging."

But after all, Marcil says with a twinkle in his eyes, "Competition is what gets the juices flowing. That fact that we are family-owned and make all the decisions right here in Fargo merely adds to the excitement."

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OBSERVATIONS

What I've Learned About Family Firms

By Sharon Nelton

As a reporter, I've been covering family business for a little over 10 years now, and I've learned a lot from the families and the businesses I have written about. Here are five of the most important things I've learned, and I'll share another five with you next month—one for each of the 10 years.

■ If you are the founder of a business, it's important that you have your own dreams and let your children have theirs. Don't impose your dreams on your sons and daughters. Anybody who works around family businesses has seen too many unwilling children dragged into the business by their parents.

The world doesn't need any more "reluctant heirs," says Léon Danco, a pioneer in studying and consulting with family firms.

You can invite your children into the business. But forcing the business on them is not good for them and not good for the business.

■ Good communication is essential. This is tough in a family where you have a hard-driving, opinionated entrepreneur

for a parent. In such families, communication with him—and usually it is indeed a "him"—too often becomes his telling the rest of you what to do or what he wants or thinks. He doesn't mean it unkindly, but he does make it harder for children to find their own voices and for spouses to assert themselves.

Founders of family businesses need to remember that good communication is a two-part skill that requires not only expressing yourself but also listening to others. This means creating an atmosphere where others can speak freely without fear of reprisal, contradiction, or ridicule.

■ If you are the founder, be careful about saying you are running this business for your family. You probably are, but if you are a typical business founder, you spend most of your time at the business. When you are at home, you spend a lot of your time talking about it. Family members begin to feel that their concerns take second place, and they may resent it when you say you're "doing it" for them.

Psychologists suggest that many men



express their love for their families through work. But that's not what the family members want. They want you to express your love directly. Give it a try.

■ Challenge the assumptions that you and your family may be making. Those of us who work with family firms hear family members say such things as, "The oldest son will be the successor," or, "There's no room for women in this business." Sometimes such assumptions are true; sometimes, they are not. When you challenge them, you begin exploring alternative ways of thinking and acting, and you give yourself, your family, and your business a better chance to move forward.

■ The most successful family firms reflect an extraordinary amount of courage. It takes courage to build good family relationships. It takes courage to run a business. It takes even more courage to put the two together because, when you do, you put so much at risk—family relationships, possibly, and sometimes the business itself.

So give yourselves a hand for your courage.

PLANNING

Preparing Successors To Be Leaders

By John L. Ward and Craig E. Aronoff

"Family businesses are so obsessed with the trials and tribulations of succession that the successor's leadership skills are almost always underdeveloped," a wise observer of family businesses once told us.

Unfortunately, our experience supports this conclusion. Successor development, when it is practiced in family firms, is usually a conscious process of learning the business rather than learning leadership.

Authorities on leadership define it as an almost mystical process of melding a mission with people's motivation to achieve that mission. Effectively merging

mission and others' motivation requires several traits and skills:

■ The self-confidence to be willing to assert your personal agenda.

■ Honest self-awareness that enables you to feel confident of your judgments and convictions.

■ Sensitivity to others and their responses.

■ The ability to integrate individuals' goals and visions into a larger, group mission.

■ An understanding of how to overcome resistance to change.

Developing these traits and skills may be especially difficult in family busi-



PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

nesses. Potential successors starve for honest feedback. As one successor put it: "Some people resent me because of who I am. Others are unwilling to criticize me even if I deserve it. How do I really know how I'm doing, how I'm coming across, what my weaknesses are?"

The development of real self-confidence becomes more challenging in the family-business environment. Family members, employees, and others compare young successors with heroic images of founders. Parents often shield the successor from taking risks, because of either their need to retain control or their desire to protect offspring from failure. Successors often wonder whether they could have made it on their own.

Learning how to integrate others' goals and wishes into a new mission is also very difficult. An entrepreneur offers a model of hewing to one's own dream, not accommodating others. No model is offered for revitalizing an entrenched organization with many family members as partners—which is often the task of successors.

Finally, the family-business successor must manage change from the most challenging of perspectives—that of the insider. Agents of change typically come from the outside, have rebellious personalities, or have survived a dramatic organizational trauma that undermines past practices. Successors are more often a part of the current culture rather than an antagonist to it.

Recognizing the special needs and challenges facing next-generation leaders is helpful. Too frequently, we find that parents and other family members underestimate these difficulties. Successors themselves are overwhelmed by them, often seeking to sweep them under the carpet as they immerse themselves in the comforting predictability of day-to-day business operations. Consequently, they may become managers of businesses—but not leaders of business families.

Successors must commit to developing themselves as leaders. Here are some suggestions for designing a game plan for learning leadership:

- Seek self-insight through personality and career-assessment tests and counseling.
- Look for community organizations or business associations where you can gain leadership experience and where you can test yourself against others.
- Identify an older, nonfamily mentor who has been a leader and who can offer guidance and feedback. Such a mentor may be on your board or a leader of an outside organization that you join.
- Develop a network of other family-business successors to share experiences—especially experiences in dealing with people and implementing change.
- Study change as a classroom student and by visiting other businesses.



ILLUSTRATION: DAVID CHEN

■ Develop a philosophy of family business, also through study and visits to others.

■ Recognize the patterns of family-business dynamics and the peculiarities of different family roles, such as youngest child, founding parent, and the like.

Most of all, we recommend that family-business successors develop two crucial

attitudes. First, don't wait for others to provide leadership-development training. Aggressively create opportunities for yourself. Most experts on leadership development suggest that leaders "get in over their heads" deliberately. Second, don't depend on specific, negotiated, clear company roles to help provide learning and to ease the pains of succession. Leaders should relish ambiguous roles and get a wide variety of experience.

One of our favorite stories involves Dr. David Livingstone, the famous 19th century Scottish medical missionary to Africa. It seems that his sponsoring missionary society in England wrote to Livingstone, inquiring: "We have many fine young men with excellent training here in England inspired by your work and wishing to serve. Have you cut a road through the jungle so that they can reach your mission?"

Livingstone replied: "If they must have a road cut for them, I can't use them."

Good qualities, excellent training, inspiration, and desire are all necessary in family businesses, but they are not sufficient for successors' success. Successors must be able to cut their own road through the jungle.

Succession and leadership are two different things. But once succession takes place, it may be too late to hone leadership skills.

MARK YOUR CALENDAR

April 19, Southfield, Mich.

"Solving Intergenerational Conflict and Managing Sibling Rivalry" is the topic of an all-day meeting sponsored by the Family Business Council. Call Rick Segal at (313) 353-5600.

April 21, Cleveland

"How I Get And Keep Good Employees" is an evening roundtable for chief executives of family firms. For more information, call Tom Monroy or Don Jonovic at the Family/Small Business Institute at Baldwin-Wallace College, (216) 826-5927.

April 29, Milwaukee

"Managing Family Business" is a seminar for anyone with a stake in a family business. For more information, contact Dean Fowler Associates, 740 Pilgrim Parkway, Suite 300, Elm Grove, Wis. 53122; (414) 789-7367.

April 29, Houston

"Challenging Your Assumptions About Family, Management and Ownership" is a daylong meeting. Contact Nancy Upton of the Baylor University Institute for Family Business at (817) 755-2265.

May 3, Chicago

"What Is Your Family Business Really Worth?" is an evening meeting sponsored by the Midwest Association of Family Business Owners. Call Karen Wilger at (708) 495-8900.

June 12-16, Marietta, Ga.

The "Family Business Academy" addresses such issues as succession, ownership structure, conflict resolution, and total quality management. Contact the Kennesaw State College Family Enterprise Center at (404) 423-6045.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20002-2000.

CASE STUDY

A Legacy Of Turmoil

Madeline, 64, assumed management responsibility for her husband's \$6 million wholesale distribution company following his unexpected death two years ago.

Her husband had "managed" the marginally profitable business for 20 years with no formal planning or long-term strategy. At the time of his death, Madeline worked as the bookkeeper, and her three sons—now ages 28, 31, and 35—each had sales territories.

Steve, the oldest son and top salesperson, quit last summer because his mother failed to act on business suggestions he had been making to his parents for the previous five years. "I see no possibility that things are going to improve," he told her. Steve, who has a degree in market-



ILLUSTRATION: DAVID CHEN

ing, has taken an executive position at another firm at double his old salary.

The younger two sons are good at sales but, like their father, dislike the manage-

ment details. They constantly argue because they sell competing product lines, and each sees his own line as key to the company's future. They have not spoken to each other since the younger son beat his brother out of a substantial sale two weeks ago.

Madeline was only casually interested in the business when her husband was alive, but she has devoted herself to it since his death because he told her "to make sure it's passed on to the boys." She was discouraged when Steve quit, and this latest blowup really has her concerned. "Will my sons ever learn to work together?" she asks.

At the suggestion of her accountant, Madeline hired a family-business consultant six months ago. But she didn't really feel the family needed outside help, and the relationship ended after two sessions.

Now sales are running below last year's, and Madeline is afraid the business may fail. What can she do?

Planning Is Essential

There is a void at the top. Madeline has been forced by events to try to fill the leadership vacuum and is confusing her responsibilities as owner with those of an experienced manager.

Planning and the delegation of management responsibilities were certainly not disciplines her late husband felt had business value. Nevertheless, knowing where the business is currently and where it is going is essential to making sound decisions.

The following three-step process might be successful in easing



Glenn R. Ayres, a family-business consultant and estate-planning attorney in Minneapolis.

PHOTO: STEVE BOLT

this family business into a planned—and thus brighter—future:

First, Madeline should create a board of directors that includes two or three experienced and trusted business people from outside her company.

The board can provide her with an outside

perspective on the business, including an objective reading of Steve's recommendations.

Second, with the help of the new board, Madeline should select a nonfamily interim president who would have the immediate task of providing leadership and a management structure.

This professional manager could quiet the internal bickering, relieve Madeline of the responsibilities of day-to-day management, and perhaps even create the kind of environment that will encourage Steve to consider returning to the business.

Third, with a trusted outside board in place and a seasoned interim president at the helm, the company would be prepared to successfully utilize the services of a family-business consultant.

The consultant could help the company explore the needs of the family and the business and lead the family and the management team through a strategic planning process.

Put An End To Role Conflict

Madeline faces a difficult challenge. Which of her numerous roles is most important for her family and the business? She is not alone. Many widows face a similar dilemma. She is owner, managing president, and mother, as well as the widow of the founder whose legacy lives on in the business.

Madeline feels strongly that the family members must work together to save their business. It is up to her to provide leadership to the company, defining clear roles and responsibilities,



PHOTO: EBRUCE BUCHANAN

Dean Fowler, a family-business consultant and founder of the Forum for Family Business, in Milwaukee.

distinct sales territories, and common objectives. The leadership must be established for the business to move forward profitably.

But is Madeline mother or president? She must answer this question. Can she manage this presidential leadership role herself

without having it conflict with her role as mother to her three sons? Unless the business succeeds, her ownership assets will be put in jeopardy, her sons will be without jobs, her financial future will be at risk, and she will have no business to pass on to the next generation. That means she will lose the opportunity to fulfill her husband's wish.

Facing such a dilemma, widows often choose to be mothers first, putting them at odds with their presidential responsibilities. As a short-term solution, Madeline should step aside and hire a competent nonfamily executive to turn the company around.

Once the business is back on track, the family members will have a broader range of options to consider. As owners, they may wish to continue with a nonfamily president who could manage the business to their benefit. Or they could consider selling it—to the nonfamily president, to the employees, to another company, or perhaps to the oldest son.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute. Identities are changed to protect family privacy. This month's editor is Randel S. Carlock, a professor at the University of St. Thomas Graduate School of Business, in Minneapolis. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

REGULATION

A Clash Over Property Rights

By Laura M. Litvan

Rep. W. J. "Billy" Tauzin, a conservative Democrat from Louisiana, rose on the floor of the House last October to confront his party's leaders over an environmental bill that he said ignored the concerns of landowners.

By the time he finished talking, he and other members of a bipartisan House coalition had brought the issue of private-property rights to the forefront of the discussion. In doing so, they set the tone for upcoming debate in Congress over the future of two key environmental laws.

On that fall day, the House was considering whether to create a permanent National Biological Survey to inventory plants and animals nationwide, a proposal initiated by Interior Secretary Bruce Babbitt.

Information from such a survey, Babbitt says, could help head off the bitter conflicts that can occur between landowners and environmentalists after a species' numbers dwindle and the Endangered Species Act comes into play. The act bars property owners from killing an endangered species or destroying its habitat. The interior secretary says the survey could help identify a declining species and

bolster its numbers before it becomes endangered and stringent land-use restrictions apply.

The survey legislation had the support of Democratic leaders, but to Tauzin and other coalition members, the power sought by the Interior Department was too sweeping. They thought the bill might give regulators a ticket to trespass on private property and gather data that could restrict land use without much input from landowners.

The survey was approved by the House on Oct. 26 only after bitter debate and changes that Democratic leaders hadn't anticipated. Tauzin won approval of a provision to bar volunteers from helping the Interior Department with the inventory because they might lack expertise. And Rep. Charles H. Taylor, R-N.C., successfully pushed for a requirement that surveyors obtain written permission from landowners before setting foot on their property.

"Our effort was to demonstrate the power of private-property rights in the debate over the environment," Tauzin says of the amendments. "I think we sent shock waves through the other camp."

A coalition in Congress is poised to do battle on behalf of landowners as lawmakers consider reauthorizing two key environmental laws.

Just how influential those shock waves might be remains to be seen. Nevertheless, Congress is preparing to reauthorize two environmental laws, both with implications for property owners: the Clean Water Act, which covers wetlands, and the Endangered Species Act.

To environmentalists, the property-rights coalition of Republicans and conservative Democrats threatens two of the nation's most important conservation laws. And the environmentalists say the coalition is exaggerating the laws' possible impact on individual landowners.

"This is the largest challenge that any environmental issue will face in 1994," says Suzanne Jones, legislative representative for the National Wildlife Federation. "The private-property-rights mantra is going to be heard again and again."

In the view of many business organizations and property owners, however, the laws should take into greater account the impact that preservation can have on the economy.

Largely because of the much-publicized dispute over the northern spotted owl in the Pacific Northwest in recent years, some of these groups think the public's



PHOTO: BOB GALEMBICK

Retiree Margaret Rector of Austin, Texas, can't find buyers for her land now that it's a potential home to rare birds.

REGULATION

perception of conservation efforts could be shifting in their favor.

Both the Endangered Species Act of 1973 and wetlands regulations under the Clean Water Act of 1972 can bar development of land without government approval. Wetlands regulations are designed to stem the loss of marshy lands that provide a habitat for aquatic birds, other animals, and plants. Wetlands also contribute to purifying the water supply and mitigating the effects of floods and droughts.

There are about 104 million acres of wetlands in the lower 48 states, but about 290,000 acres are lost each year, according to the U.S. Fish and Wildlife Service. It is estimated that 74 percent of remaining wetlands are on private property.

As president, George Bush supported "no net loss" of U.S. wetlands, and the Clinton administration has maintained a similar stance.

Several agencies have jurisdiction over wetlands rules, but generally landowners must obtain permits from the U.S. Army

Corps of Engineers before they can dispose of dredged or fill materials in wetlands, which typically occurs when they develop the property.

With wetlands legislation up for reauthorization, environmentalists want lawmakers to close loopholes that allow other

types of development-related activities on wetlands, such as draining or excavation work. Landowner-rights advocates, for their part, say the present definition of wetland is too broad and treats all wetlands similarly, regardless of their actual benefits.

The Endangered Species Act also limits landowner activities, in this case to preserve the habitats of species that the U.S. Fish and Wildlife

Service or, in some instances, the Commerce Department's National Marine Fisheries Service has designated to be "endangered" or "threatened."

There are currently 820 plants, animals, and insects on the list, with about 90 added each year from a candidate roster that now includes 4,100 species, a spokeswoman for the Fish and Wildlife Service says.

Regulators designate a "critical habi-

tat" for each endangered species, and landowners are prohibited from destroying any one of them or disturbing their habitats without first developing a "habitat-conservation plan" with the Fish and Wildlife Service to preserve the species over the longer term.

But the law has been criticized for lengthy delays in establishing recovery plans for endangered species and in designating their critical habitats.

The vast majority of landowners affected by either law are not ordered to forgo any work on their property completely. Most landowners who face problems with the laws contend with more subtle—but nonetheless aggravating—conflicts. Rather than losing all economic use of their property, they may contend with declining property values or months—or even years—of waiting to see if they can proceed with any development.

Margaret Rector, a retiree in Austin, Texas, is one landowner who feels environmental concerns have forced her into a state of regulatory and financial limbo. She bought 15 acres of land west of the city in 1973 as an investment to fund her retirement. But now, she says, two little birds have put that plan in doubt.

In 1987, when she was prepared to try to sell her property, federal regulators placed the black-capped vireo on the endangered-species list. Her property, as well as much of the land in the Austin

**Environmental
regulators "could
actually bankrupt
you . . . it is
amazing."**

—Michigan Businessman
Curt Knierim

When Property Is "Taken"

A pivotal question in the debate over the Endangered Species Act and wetlands legislation is this: When does a regulation affecting private property go so far that the government has, in effect, taken the land away from its owner?

For decades, this has been the subject of controversy, with environmentalists facing off against businesses and small landowners in a battle waged with barbs and sound bites. The courts, however, have not given a definitive answer.

At issue is the Fifth Amendment of the U.S. Constitution, which states that "private property [shall not] be taken for public use without just compensation."

Legal analysts say that until the late 19th century, the clause was used only in connection with what is known as "condemnation," when the government exercises its power of eminent domain to take private property for public use.

But this changed in 1922 with a historic Supreme Court decision in *Pennsylvania Coal Co. vs. Mahon*. The case involved a state law that eliminated the right to mine coal in certain instances. Justice Oliver Wendell Holmes wrote in a majority

opinion that if government regulation went too far, it could constitute a "taking" of property.

Since then, the court has not suggested any specific threshold that would indicate when a regulation has restricted a landowner's property use to the point that some compensation must be made.

"Lots of questions remain to be answered," says James McElfish, senior attorney with the Environmental Law Institute, a Washington, D.C., nonpartisan legal research group.

Over the past decade, property owners have won only about 10 percent of the approximately 120 federal "takings" cases against the government, says Robert Meltz, an attorney with the Congressional Research Service who tracks legal developments in this area.

In "takings" cases specifically related to wetlands regulations, there have been a few wins for property owners, Meltz says, but no property owner has ever won a takings case in which the Endangered Species Act was at issue. Despite their relatively dismal record in the courts, property-rights advocates did claim a

highly publicized victory in June 1992. In *David H. Lucas vs. South Carolina Coastal Council*, the U.S. Supreme Court ruled that South Carolina had "taken" the property of a developer by preventing him from building on two barrier-island lots, which were zoned for residential development when he bought them in 1986. Two years later the state enacted a law that effectively prevented him from building on the property because his lots fell within coastal-zone land designated as a "critical area."

Lucas' attorneys argued that the state's actions had eradicated the value of his property. But the state maintained that no compensation is owed when a regulation protects the public.

In a decision with broad implications, the Supreme Court sided with Lucas. The court held that if a government regulation completely eliminates economic use of a landowner's property, the government has "taken" the land. Thus, the court ruled, Lucas was entitled to compensation.

Some members of Congress want to specifically require compensation for landowners affected by government regulations if they are substantially—not entirely—deprived of economic use of their land.

region, contains the preferred habitat of these olive-colored, black-headed birds—a landscape marked with scattered trees and juniper bushes. Rector was touched by the law again when a second bird, the golden-cheeked warbler, was added to the list in 1990.

The U.S. Fish and Wildlife Service has not formally told landowners which parts of the Austin region the government considers "critical habitat" for the birds, but property owners have nevertheless been told they must seek permits before disrupting the types of bushes and trees the birds prefer, and they are barred from destroying any of the feathered creatures.

A "For Sale" sign prominently displayed on Rector's property near a highway has attracted numerous inquiries from developers about the property since 1987, Rector says. But when she tells them the land contains juniper bushes, and therefore might be named a critical habitat under the Endangered Species Act, the discussion usually ends, she says.

Local officials have been working with federal regulators for some time to negotiate a controversial plan that would allow some land in the Austin area to be set aside as a preserve, with landowners paying hefty fees for the right to develop other local lands. But Rector says that until an agreement is reached, thereby determining if her property can be developed, she doubts she will ever find a buyer. "All I have done is pay taxes and pay taxes, and I need to sell it," she says. "I'm 73 years old, and I need the money for my retirement."

As some small businesses and other landowners work to strike deals with the government so they can use part of their land while conserving other portions, they can sometimes find the process beset by delays and by hefty fees for technical advice from consultants.

Curt Knierim, who wants to construct and then operate a summer resort in Michigan's Upper Peninsula, says protracted negotiations with the Army Corps of Engineers over a wetlands mitigation plan have cost him about \$77,000 in legal and scientific fees.

Knierim and his wife, Glennis, bought 3.5 acres along Lake Superior in Silver City, Mich., several years ago, with plans to build a main building and 11 cabins on part of the property. About half an acre of the land is designated as wetlands under federal and state law.

In October 1992, Michigan regulators granted Knierim a permit to construct lodging on the site, requiring him to keep a buffer of wetlands on a portion of the property. Because Michigan and the federal government operate a joint wetlands-permitting process—under which one application is reviewed by both state and



PHOTO: SOCHES BRACK—BLACK STAR

"Finally, we are talking about balance and priorities," says Rep. James A. Hayes.

federal regulators—he says he incorrectly believed that he could proceed once the state granted its approval.

He began construction that fall, but in February 1993 the Army Corps of Engineers ordered him to halt. For 13 months, his attorneys worked on an agreement that would conserve some of the wetlands, replace some of what is destroyed on nearby land, and allow him to build on part of the property. He says the length of the process, as well as the rising legal and other costs that came with it, has left him bitter.

"These guys could actually bankrupt you," Knierim says. "This is my first time up to bat in small business, and it is amazing what these guys can do to you."

The most controversial concept being pushed by property-rights advocates as Congress moves to renew the clean-water and endangered-species laws is compensation for companies and other landowners whose use of their land is restricted by the laws. The advocates contend that

regulations that hamper the use of their land constitute an unconstitutional "taking" of property, a view that has been argued in the courts for years, with limited success. (See the related article on Page 58.)

For example, Rep. James A. Hayes, D-La., has introduced a bill to create three classifications of wetlands according to their importance. The categories are based on a wetland's use in providing critical habitat to species, its size, and its uniqueness. Wetlands determined to serve limited ecological functions could be developed without a permit, but those that are the most ecologically important would be subject to even tighter restrictions than those now in force. The government would be required to purchase these lands from property owners.

"Finally, we are talking about balance and priorities, and that's a debate we should be having," Hayes says.

Sens. Richard C. Shelby, D-Ala., and Slade Gorton, R-Wash., have introduced a bill that would require government compensation for landowners who lose the "economically viable use" of their property because of conflicts under the Endangered Species Act. Tauzin has introduced a similar bill in the House.

But Rep. Don Edwards, D-Calif., says such proposals lack support and are environmentally irresponsible. A strong proponent of wetlands protections, he says compensating landowners for diminished property values would hamper vital conservation laws and send federal spending soaring. "We can't just give away the store because they want to interpret the Constitution in such a radical way," he says.

Other key issues for property-rights proponents include more opportunity for public input about the economic impact both laws might have, independent scientific review when a species is added to the endangered-species list, and streamlining the method for obtaining a habitat-conservation plan or a wetlands permit.

Forthcoming debates are sure to include efforts to scrutinize the economic impact of the laws and lighten their effects on property owners, which occurred when lawmakers considered the National Biological Survey.

Tauzin says he and many of his colleagues believe they can muster a majority vote to make sure environmental laws give greater weight to economics. He says they will offer the Democratic leadership another strong fight if bills to protect wetlands and endangered species make it to the floor without property-owner protections included.

"At some point, they'll have to move," Tauzin says of his more conservation-minded opponents. "We'll be waiting." ■

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MANAGING

Raising TQM Consciousness

By Michael Barrier

When Philip B. Crosby, one of the quality movement's "gurus," visited Pueblo, Colo., last year, he liked what he saw.

The Pueblo Chamber of Commerce had invited Crosby to present a seminar on quality management. Crosby—whose best-selling 1979 book, *Quality Is Free* (McGraw-Hill), made him one of the best-known figures in the quality movement—also toured a factory and met with members of the chamber's Quality Forum, who are mostly the heads of local companies.

Crosby concluded that the chamber's quality-management program was on the right track. "I get requests from a lot of organizations that don't know how to put one of these things together," he says, but the Pueblo chamber was different: "Their whole idea was to get the leadership of the community involved."

Pueblo is in fact a strong example of how quality consciousness can thrive in a smaller city. In such a place, where many business people know one another well and deal with one another regularly, the structure is in place for the free flow of ideas necessary for a successful quality effort. That free exchange among businesses can be especially important to small firms; as Pueblo's case shows, they can piggyback on the experiences of other companies.

At first glance, it might seem unlikely that Pueblo should be such fertile ground for a vigorous quality movement. Apart from a few branches of large companies, Pueblo is not rich in businesses—high-tech companies, for instance—that are natural seedbeds for Total Quality Management.

The city has a pleasantly old-fashioned character, too: The Rocky Mountains are only a short drive to the west, but Pueblo, with its Victorian houses and settled air, looks like a quiet Midwestern town. It seems somehow smaller than its 100,000 population.

Customs linger in Pueblo that evoke life in cozy New England or Midwestern settings. For example, the day that Social Security checks arrive is a social occasion, because so many recipients choose not to have direct deposit, but to get their checks by mail and deposit them in person. "They stand in line for 15 or 20 minutes to deposit their check," says Richard A. Seul, executive vice president



PHOTO: GRANNY STEWER

Michael Pugh, right, CEO of Parkview Episcopal Medical Center, seen here with Dr. David Oba, stimulated much of the current interest in TQM in Pueblo, Colo.

of Minnequa Bank, "so they can catch up on all the gossip."

Pueblo echoes cities farther east in another respect. For decades, its economy was dominated by the steel mill that still looms over its skyline. The mill gave work to thousands of people, many of them immigrants. "Pueblo has a good work ethic," Crosby notes, adding that the quality movement can take root more easily "where people actually work."

It was, however, the layoff of 2,800 workers at the steel mill in 1982 that gave Pueblo its first stirrings of quality awareness. To take up the slack in jobs, Pueblo recruited what are now known locally as the "airport industries"—companies that have located in the airport industrial park east of town since 1984.

Some of the "airport industries"—Paramax, McDonnell Douglas, Trane, and others—now bring hands-on experience to the Quality Forum. They have also put pressure on local suppliers to conform to their own high quality standards.

There is wide agreement, though, that a hospital executive named Michael D. Pugh deserves the greatest credit for creating the Quality Forum and stimulating quality consciousness in Pueblo. Pugh has chaired the Quality Forum's steering

committee since the Forum was formed more than two years ago.

"It seemed clear to me that a lot of other companies were struggling with similar ideas," Pugh says, "and if we could bring them together, we could learn together."

Pugh is the president and CEO of Parkview Episcopal Medical Center in Pueblo. Parkview has been managed for more than nine years by Quorum Health Resources (the former Hospital Corporation of America); Pugh is a Quorum employee, but almost everyone else is an employee of the hospital itself.

He learned about the concepts of the late W. Edwards Deming in 1988, at a three-day quality-management "boot camp," and "it was a real instant sort of philosophical fit," he says. "I've always been somebody who believes that you should never ask permission—always ask forgiveness. So this idea of pushing decision making down to lower levels of the organization really fit well."

When Parkview started its quality program, Pugh says, "we were working very much in a vacuum, in the community. We didn't know what we were doing."

But then "we had some early successes," he says—quality-management

As one city's experience shows, small firms in the quality movement can often learn the most from those that have gone before them.



PHOTO: GARRY STOKER

Mike Blazer, seated at the center, visits with employees at family-owned Blazer Electric Supply Co., a Pueblo business that is moving toward quality-oriented partnerships with its customers.

techniques helped the hospital weather a financial crisis in 1989, by pinpointing waste—"and we realized there was an opportunity to be a national leader in health care on this issue." That national leadership, in turn, gave Pugh and Parkview the stature to promote quality improvement at the local level.

The idea behind the Quality Forum, Pugh says, was to "have some monthly breakfast meetings and just have people tell about what they're doing. It was really just show and tell, for the first year." Rod Slyhoff, the Pueblo chamber's vice president for membership, recalls that "the first meeting was looked upon as a little roundtable discussion. We expected 20 people, and 40 showed up."

There's usually a speaker—many of them from out of town—at the monthly Quality Forum meetings, "but there's also time for questions, networking, that kind of thing," Slyhoff says.

Last fall, the Chamber gave its quality program an even stronger hands-on emphasis by scheduling nine workshops in quality-management skills. The idea, says Rick McElroy, the chamber's 1993 chairman, was to "make it a little easier for small businesses to relate" to quality concepts.

In Pueblo, as in other places, many small businesses have been practicing a rough equivalent of TQM, but without realizing it. "It's fun to watch people come to a workshop," Slyhoff says, "and see it on their faces: 'So that's what you call that.'"

Minnequa Bank's Richard Seul attended one of the Quality Forum's meetings and saw in TQM a path out of some of the bank's troubles. "We had gone through a pretty rough period in the late '80s," he says, under a previous management that he says was "rather autocratic," and "we needed a boost in morale."

The bank emphasized employee empowerment from the beginning—but made clear to its employees that they were being empowered to provide a level of customer service that its larger rivals could not match. Empowerment "was probably the most difficult thing for [employees] to accept," Seul says. "There is a certain comfort in being led."

Seul says that the Quality Forum—he is now on the steering committee—is his "primary contact" with other quality-oriented firms. The quality network extends well beyond the Quality Forum and the Chamber's workshops, though; it also embraces the exchange of questions and

advice among companies that know each other as customer and vendor. For example, Parkview has been helping Blazer Electric Supply Co., one of its suppliers.

Blazer Electric is a family-owned wholesale firm with offices in Pueblo and two other Colorado cities; it has 19 employees in Pueblo. It began its quality program in 1990, after Mike Blazer, the president, attended a seminar on TQM that one of his suppliers held in Milwaukee for its distributors.

Now, Blazer says, he is moving toward the close partnership with Parkview and his other customers that most experts see as essential to a successful quality program. The next step, he says, will probably be to a "vendor inventory management system," under which Blazer Electric will actually maintain its customers' stockrooms of electrical supplies.

Blazer, like Pugh and Seul, is a member of the Quality Forum's steering committee. Speaking of the help he has gotten from the Quality Forum, and specifically from his fellow members of the steering committee, Blazer says:

"One of the biggest challenges of a continuous-improvement program is how you change it from a program into a day-to-day mind-set. When does it move

MANAGING

from something you do on the second Tuesday of every month to something you do every day? I got some real good direction in regard to that. So much of that is leader-directed—you can't sit back and wait for it to happen."

A company that pursues TQM in isolation may not be doomed to failure, Blazer says, but "you can do so much more, the more contacts that you have."

Another Pueblo business that has benefited from its contacts with Parkview is Steel City Insurance Agencies, which is, like Blazer Electric, one of Parkview's suppliers. "They were really our mentors," says Dennis E. Flores, a Steel City agent. Steel City has adapted many quality concepts to its own circumstances. "We've done a lot of flow-charting," Flores says. "We flow-charted a policy, from the time it came into our office until it reached our customer's hands. It was incredible how inefficient we were."

Now, he says, policies usually go into the mail within two days after they're received from the issuing company—with a correspondingly dramatic improvement in cash flow.

For the most part, Parkview's interchange with local businesses has been one-way, but now that is changing. "It's just now," Pugh says, "that we're starting to get the level of expertise and interest in

A challenge of a continuous improvement program is how to make it a day-to-day mind-set.

—Mike Blazer, President,
Blazer Electric Supply

the community that gives us something to build on"—feedback that might be useful to Parkview as it moves on toward ever more sophisticated applications of quality principles.

"Re-engineering is a powerful possibility" for Parkview, Pugh says, "because so much of what we do in hospitals and health care is waste, rework, and needless complexity. It's fixing something that didn't work somewhere else in the process. For example, if admissions gets some information wrong, they export chaos to the entire hospital. We're stepping back and saying that maybe the admissions department shouldn't exist."

For its part, the Pueblo chamber has been in touch with its counterparts in other quality-oriented cities of compara-

ble size, like Erie, Pa., and Spartanburg, S.C., and is thinking about using one of those cities as a quality benchmark.

Of the Pueblo chamber's 900 members, 750 have fewer than 100 employees, and many of those small businesses are reluctant to release employees for the time that training in TQM requires. "It's a tough battle," Slyhoff says. Some companies have let go of their quality efforts, he says, "but most of them are people that still haven't resolved in their minds the fact that it never ends."

For those businesses that have fully accepted the idea that quality is a never-ending process, the result can be not frustration, but the excitement of continuous discovery and rediscovery.

P.J. Vollmer, the quality manager at Kurt Manufacturing Co., a precision machine shop, recently attended a workshop on basic TQM techniques that Michael Pugh offered at the Pueblo Chamber. "After I told him what we were doing at Kurt," Vollmer recalls, "he said, 'What are you doing here?' I told him that it's ongoing—there are things that I learned a couple of years ago that have changed a little bit. You get into habits, you forget a little bit, and [a workshop like Pugh's] kind of turns the light on again." **18**

LOOK FOR THESE UPCOMING STORIES

Now's A Good Time To Export

The cover story in May will explore the ins and outs of exporting and explain why now is a good time for small businesses to think about exporting. Related stories will discuss export financing, exports to Mexico, and a resource guide for small-business managers. Also in May:

- ☐ Leasing cars and trucks
- ☐ CD-ROMs for small business
- ☐ Low-cost training programs
- ☐ How to increase profits when you can't raise prices
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- ☐ Health-reform outlook

Guide To Business Software

The cover story in June will be a buyers' guide to new software for small business. You'll find capsule reviews of software for accounting, word processing, data bases, presentations, and utilities. Operating systems (DOS, Windows, and OS/2) will also be reviewed. Also in June:

- ☐ Guide to buying business insurance
- ☐ Robotics for small businesses
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INSURANCE

Protecting Against Employment Perils

By Randy Myers

As the head of an insurance agency, Hilliard Fletcher practices what he preaches by paying for coverage against business contingencies. Last year his firm, in Tuscaloosa, Ala., spent \$10,000 in premiums on an employment-practices liability policy.

This new form of insurance is designed to protect a company should it run up against charges of sexual harassment, wrongful termination, discrimination, or similar violations.

Fletcher's firm, the Duckworth-Morris Agency, has 70 employees and has never been accused of an employment-related violation. But like millions of other employers, Fletcher has good reasons to take precautions.

Experts say the chances of employment-practices suits at even well-managed businesses are higher than ever, because of a plethora of state and federal laws, regulations, and court rulings that govern almost every aspect of how businesses hire, manage, promote, and fire their employees. Among the relatively recent federal laws having a major impact on employment practices are the Americans with Disabilities Act of 1990, the Civil Rights Act of 1991, and the Family and Medical Leave Act of 1993.

"We see the peril of not having this type of insurance," says Fletcher, and he says the growing need for employment-practices liability coverage is the reason his firm bought it and is offering it to clients.

Most prominent among recent court decisions that are spurring lawsuits against employers is *Harris vs. Forklift Systems Inc.* The Supreme Court ruled last year in that case that plaintiffs in sexual-harassment suits would no longer have to undertake the burdensome task of proving "psychological damage." Instead, the court ruled, the plaintiffs would only have to prove that they were subject to a hostile work environment.

In the fiscal year ending last Sept. 30, the U.S. Equal Employment Opportunity Commission received 87,942 complaints of alleged employment discrimination. That was up 25 percent from the 70,399 claims a year earlier.

Meanwhile, businesses are routinely settling discrimination and sexual-harassment suits for thousands and even mil-

lions of dollars, with at least two class-action lawsuits settled for more than \$100 million each in the past two years.

Such payouts can be devastating to small employers, many of whom would be surprised to learn that their standard business owners' policies and commercial general liability coverage provide little or no protection against employment-practices claims. Those policies weren't developed with such perils in mind, and, even when the issues did arise, most underwriters excluded them from coverage.

In an attempt to fill the gap, a number of carriers, including the Chubb Group of Insurance Cos. and the Philadelphia In-

Coverage against being sued for workplace practices can be costly—but worth the price.

surance Cos., have introduced employment-practices liability (EPL) policies, typically with limits ranging from \$50,000 to \$10 million worth of protection. Cautious employers are snapping them up, but only those with deep pockets can afford them. Annual premiums run \$100 to \$150 per employee—as much as \$10,500 for a work force of, say, 70 people.

Yet nervous buyers seem willing to pay the prices. Chubb's EPL business has tripled in a year. At Lexington Insurance Co. in Boston, Jim Gray, a product-line manager, says his company's sales of policies tailored just for employment practices grew 220 percent last year from 1992, when the coverage was introduced. Says Gray, "We expect this emerging market to continue its growth in 1994."

John Lewis, a corporate defense attorney in Cleveland, concurs. "There are enough million-dollar cases out there that employers are really taking a look at it."

Enough underwriters have entered the EPL market so that comparison shopping is possible. Agents advise buyers, particularly small businesses, to pay attention to what is and isn't covered. Chubb's policy covers such claims as "deprivation of career opportunity," "negligent evaluation," and "wrongful infliction of emotional distress."

You should also determine if the policy covers only the actions of officers and directors, for example, or those of supervisors and line employees as well. Find out if it protects against complaints by current employees only or by former workers also, and how it applies to job applicants who weren't hired.

Many underwriters have focused their initial EPL marketing efforts on midsize companies of 50 or more employees—those that are big enough to afford the coverage but not big enough to self-insure. But Fletcher and others think it won't be long before the policies begin to attract a broader audience.

Just the act of looking into this type of insurance may help employers. Says Sean Sweeney, senior vice president of sales and marketing for the Philadelphia Insurance Cos., "The questions on our application highlight exposure areas the business may not have contemplated." Recognizing a risk, he says, is the first step in dealing with it.



Randy Myers is a free-lance writer in Dover, Pa.

MARKETING

A Global Reach For Small Firms

By Michael Barrier

"The bigger the world economy," John Naisbitt says, "the more powerful its smallest players. The more universal we become, the more tribal we act. As the world integrates economically, the component parts are becoming more numerous and smaller and more important."

That was the gist of the message that Naisbitt, the renowned trend forecaster and author of the newly published *Global Paradox* (William Morrow & Co.), delivered to a nationwide audience at the first in this year's spring series of satellite seminars produced by the U.S. Chamber of Commerce's Quality Learning Services Division.

The seven-part series, bearing the umbrella title "Quality, Leadership and Organizational Change," is bringing Naisbitt and other experts (see the accompanying article) to audiences of business people at hundreds of sites across the country; the Naisbitt seminar, on Feb. 24, was seen at more than 625 sites. Members of the audiences can ask questions of the experts by phone and fax.

In his seminar, Naisbitt painted a portrait of a world being fundamentally transformed. "The world is not in chaos," he said, but is instead "changing in a quite orderly fashion." He described telecommunications as "the driving force that is simultaneously creating the huge global economy and making its parts smaller and more powerful."

Rather than the centralized control that the phrase "information superhighway" evokes, he said, "telecommunications will become thoroughly decentralized, completely individualized, and the world will be dominated by individual-to-individual communication. A revolutionary confluence of technological change has set the stage for a new environment that will empower individuals as never before."

For business, he said, "the riddle of the '90s is what will become universal, what will become tribal, and what are the new business opportunities in each of these."

Market niches will multiply in the future, he said, because as some things become universal—as the world becomes a single global market, and English a universally used language—there will be a corresponding trend to cling to those "tribal" characteristics that make a community unique. Thus the emphasis, in places like Quebec, Canada, on protecting



John Naisbitt predicts "smaller and smaller market niches."

the local language from infiltration by English words.

"In the huge global economy," Naisbitt said, "there will be smaller and smaller market niches." And, as he added in an interview, success in seizing market niches "has to do with swiftness to market and innovation, which small companies can do so well."

Trend-spotter John Naisbitt foresees a world more united—and more fragmented—than ever, creating opportunities for entrepreneurs.

Joint ventures have become a particularly effective way for small firms to enter the global economy, he said in the interview, pointing out that his own small business, Megatrends Ltd., based in Telluride, Colo., is part of 57 joint ventures in 42 countries—even though "we are just four people."

But what should the subjects of those joint ventures be? What products and services should small firms lock onto? Naisbitt suggested that no ready-made answer is possible. As different forms of telecommunications converge, he said, "the interplay will create products and services we can't even imagine today."

Michael Bloomberg, president of Bloomberg Financial Markets, an international financial news service based in New York—and one of six panelists who responded to Naisbitt's observations—went further, suggesting that businesses can stumble if they focus too much on communications technology and not enough on the customer value they deliver through it.

In other words, the basis for a successful business in the new technological age will be the same as it has always been: Serve the customer, by offering a product or service that the customer needs. And small companies are frequently in the best position to do just that. ■

Still To Come: Covey, And More

John Naisbitt is not the only world-renowned author who is leading a satellite seminar in the spring series offered by the U.S. Chamber of Commerce's Quality Learning Services Division. On April 5, Stephen R. Covey will lead a seminar titled "Beyond Principle-Centered Leadership—Empowerment."

Covey is best known as the author of *The Seven Habits of Highly Effective People* (Simon & Schuster/Fireside), which has sold more than 2.5 million copies in 25 countries.

Covey's seminar will build on the thesis that too many organizations are overmanaged and underled.

These three seminars will follow:

■ April 19—Authors and television journalists Clare Crawford-Mason and

Lloyd Dobyns will explain the philosophy of the late W. Edwards Deming, the quality movement's pre-eminent thinker.

■ May 17—James Belasco, professor of management at San Diego State University and co-author of *Flight of the Buffalo* (Warner Books), will discuss how to focus on the customer.

■ May 24—Author Jeremy Main and G. Howland Blackiston, president of the Juran Institute, will lead a seminar titled "Quality at the Crossroads."

The Quality Learning Services Division is now planning a fall series of 11 satellite seminars. For more information on the remaining spring seminars and the fall series, including prices for downlinks and taping rights, call 1-800-835-4730 or (202) 463-5940.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia Mazur

An Operation That Usually Works

Take a step. Now multiply it by a million. That's about the number of steps you take each year, every year.

When you realize that each step sends a strong shock to the hip joint, you can begin to understand why there are about 117,000 hip-replacement operations in the United States each year.

There are other reasons for this kind of surgery, in addition to the constant pounding; they include congenital hip deformities, hip-bone dislocations, and injuries like the one that ended Bo Jackson's football career.

To get a rough idea of how the hip joint works, make a fist with your right hand and twist it into the cupped palm of your left hand. The fist (ball) is the top of the leg bone. The cupped palm (socket) is the hip bone. Each time you move a hip, the ball turns inside its socket.

Although the socket is well-cushioned when we're young, that cushioning begins to wear away with time. For some, that culminates in the agonized grinding of bone on bone—osteoarthritis—the crippling pain of which can slow our steps and eventually our whole lives.

That's what happened to Sylvia Rubin of Tamarac, Fla. Eight years ago, when she was 66, she had so much pain in her left hip that she had to give up most social activities and let her golf clubs gather dust.

When Dr. Gordon Hill of Holy Cross Hospital in Fort Lauderdale, Fla., suggested replacement of the ball and socket in her left hip, Rubin agreed. "It was the best decision I ever made," she says. "The pain stopped almost immediately, and I was on the links again in three months."

Amy Levine of Arlington, Va., had both hips replaced. Although most of these surgeries are performed on men and women over 60, Amy was 28. She had developed rheumatoid arthritis when she was 11, and medication couldn't halt its advance. When she contacted Dr. Charles



A hip replacement produces a clear diagnostic image—and typically an improved life.

Engh of the Anderson Clinic in Arlington, her hips were almost frozen in place.

Engh explained her options: surgery or a wheelchair. She chose surgery. "I had my two surgeries five weeks apart," she recalls. "That was 15 years ago, and I feel great."

That's no surprise.

"Of all the types of operations we have, this is one of the most successful," notes Dr. Dan Berry of the Mayo Clinic, in Rochester, Minn., where America's first hip-replacement surgery approved by the U.S. Food and Drug Administration took place, in 1969. "Although it carries all the risks of any major operation, there is a nine-out-of-10 chance that this surgery will give relief from pain," Berry says.

Generally, the operation is followed by weeks of intense physical therapy, and within a few months patients can resume most activities, including many sports (but not high-impact aerobics and serious jogging).

There is still some controversy in the field of hip-replacement surgery. Engh, a pioneer in the field, began championing a new method of attaching the implants to the body's own bones in 1977. Previously,

they were secured with acrylic cement. But the cement sometimes cracked after a few years, allowing implants to loosen.

Engh describes his method: "It is called the noncement or biological-fixation method, and calls for a porous surface on the new prosthesis. The bone actually grows into that porous surface and locks the implant in place."

Many surgeons use this cementless method, but not all. Dr. William Harris of Massachusetts General Hospital, in Boston, explains: "Although the cementless method is widely used, we do not have long-term data on its success rate."

He continues: "Rather, improved cementing techniques, so-called 'second-generation cement,' have provided the best results after a longer period of time, 12 to 15 years." (The second-generation cement method does not use different cement. Rather, it involves more precise techniques for setting the cement in place.)

To some extent, Engh agrees. "I still use cement in older patients with deficient bone, or where there's a bone tumor or cancer," he says. But generally, Engh finds that cementless implants become even stronger with time.

Hill is somewhere in the middle. Although he often uses the cementless method for an entire operation, he also occasionally finds it more appropriate to cement the stem of the ball inside the leg bone, while using the porous (cementless) implant for the socket.

"Actually," Hill says, "a successful hip replacement is largely due to the surgeon. We have to make sure the new device [the replacement socket] fits precisely into the opening made into the socket by the surgeon. For that, most of us use the 'press-fit method,' also promoted by Dr. Engh."

Hill explains: "In this method, we make the opening in the socket two to four centimeters smaller than the device. Then, when we put the device in place, it is extremely tight."

Whatever the method, most hip-replacement recipients are happy with the results. Amy Levine sums up: "Once, the pain in my hips was always on my mind. Today, I rarely think about it, because it's gone." ■

Marcia Mazur is a writer in Washington, D.C., who specializes in health-care topics.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

BEVERAGE MAKING

From Grape To Glass

I need reference information on opening and operating a winery.
M.S., Rochester, Mich.

The Wine Institute says there is no one-stop source of information on starting a winery, and there are no specific government grants for help in starting such a business.

There are federal loan programs for start-up firms in general, of course; you should check with your local U.S. Small Business Administration office for information.

The trade group suggests that you find out if your local zoning laws permit the opening of a winery in your area, and ask your state's alcoholic-beverage agency for information about licenses. For certain advice on the legal aspects of starting a winery, you can write to the Wine Institute at 425 Market St., Suite 1000, San Francisco, Calif. 94105.

To find winery suppliers, check listings in industry publications such as *Wines and Vines* magazine, published by the



ILLUSTRATIONS: MARTHA WUONEN

Hiaring Co., 1800 Lincoln Ave., San Rafael, Calif. 94901. The magazine contains industry news, trends in wine consumption, and articles on getting started in the business. Call (415) 453-9700 for more information.

Practical Winery and Vineyard magazine, published by Don Neel and Associates, 15 Grande Paseo, San Rafael, Calif. 94903, contains articles on running and operating a winery. Call (415) 479-5819 for details.

FINANCIAL MANAGEMENT

A Planner's Perspective

I need a financial planner to help me look at my business and assist me in planning for the future. How should I approach the search?

P.I., Fort Worth, Texas

The International Association for Financial Planning offers several brochures on the subject, and some of them are free. According to the association's *Financial Planning Consumer Bill of Rights*, your financial consultant should be a certified financial planner (CFP), a chartered financial consultant (ChFC), or a certified public accountant (CPA).

The qualifications of consultants in each category are listed in the publication.

Other helpful association brochures include *Consumer Guide to Financial Independence*, which provides tips on setting financial goals, and *Registry of Financial Planning Practitioners*, a state-by-state directory of financial planners who meet the organization's requirements.

For more information, contact the International Association for Financial

Planning at Two Concourse Parkway, Suite 800, Atlanta, Ga. 30328; (404) 395-1605.

Federal Sources

I need a quick reference on the kinds of governmental resources available for financing a small business.

S.O.C., Des Moines, Iowa

The Government Resources Institute, in Memphis, Tenn., publishes *An Entrepreneur's Guide to Government Loans, Grants, Contracts, and Other Special Programs to Help You Prosper*. The six-page report lists a wide range of financing options available through the federal government, including loans for businesses in rural areas and help for inventors, start-ups, and women entrepreneurs.

Each listing includes addresses and telephone numbers for more information.

To order a copy of *An Entrepreneur's Guide*, send \$1 (or a self-addressed stamped envelope) to Government Resources Institute, P.O. Box 16159, Memphis, Tenn. 38186.

RETAILING

Baking Below The Border

I intend to start a bakery in a South American country. I need information on equipment suppliers, industry literature, and trade groups.

A.A.B., New York City

Ron Wirtz, library director for the American Institute of Baking, says the kind of information you need "depends on your level of experience in the baking industry."

The institute, based in Manhattan, Kan., conducts research and training. It also offers a free *Entrepreneur's Packet*, which includes lists of books, consultants, and other useful resources for beginning bakers. "The packet saves a lot of legwork for people," Wirtz says.

The institute's staff includes consultants who, for a fee, assist in starting a bakery in another country. For more information, contact Bob Rodriguez, director of Latin American Technical Assistance at the American Institute of Baking, 1213 Bakers Way, Manhattan, Kan. 66502; (913) 537-4750.

Most bakeries in South American countries that do not produce bread wheat import that type of grain from the United States.

The United States Wheat Associates, an export-market development organization representing the U.S. wheat industry, conducts market-development activities, including trade servicing, technical assistance, and market analysis.

Some of the organization's services are free. For more information, contact the United States Wheat Associates at 1620 Eye Street, N.W., Suite 801, Washington, D.C. 20006; (202) 463-0999.



RECYCLING

Turnaround Topics

How would I go find information on starting a recycling business?
R.M., Cambridge, Md.

The Institute of Scrap Recycling Industries, Inc., offers information on recycling ferrous and nonferrous metals, paper, plastics, glass, rubber, and textiles.

The institute is a trade group representing processors, brokers, and consumers of recycled materials. It offers a list of several how-to books on starting a recycling business, along with manuals, brochures, and reference materials to help you get started.

To obtain a free copy of the organization's list of publications, send your request to the Institute of Scrap Recycling Industries, Pubs Catalog, 1325 G Street, N.W., Suite 1000, Washington, D.C. 20005-3104.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102.

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RECREATION

Invitation To The Dance

I am a dance instructor, and I have decided to open my own studio. I need some direction.
V.P., Boston



The National Association of Schools of Dance suggests that you talk with the operators of similar schools in your area to learn what is involved in starting a small, independent dance school. For free information on standards and guidelines for becoming an accredited school of dance that does not offer a degree, contact the association at 11250 Roger Bacon Drive, No. 21, Reston, Va. 22090.

The National Dance Association, a trade group based in Reston, Va., offers a free booklet, *Opening Your Own School of Dance—What You Should Know*, which outlines the steps in starting a small dance studio.

The Studio Services Commission, a branch of the association, specializes in the operational concerns of small dance studios and offers in-depth information for dance-studio owners.

To order the association's booklet or free publications list, write the National Dance Association, 1900 Association Drive, Reston, Va. 22091.

SELLING

Reaching Out

I am a manufacturing representative covering the retail trade, and I am interested in expanding my lines. How do I find manufacturers looking for representatives?
H.M., Tulsa, Okla.

Agency Sales, a monthly magazine published by the Manufacturers' Agents National Association, has a classified section that lists manufacturers looking for representatives. To receive a free copy along with membership information, contact the association at P.O. Box 3467, Laguna Hills, Calif. 92654; (714) 859-4040.

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What You Need To Know About Starting, Running, and Growing Your Business

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Nation's Business

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It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

TRANSPORTATION

Gasoline Choices For Rental Cars

With some rental-car companies, you now have a choice of three ways to pay for gasoline: You can find a gas station just before you drop off the car and fill the tank yourself; you can have the rental company top off the tank at its per-gallon price; or you can "buy" the full tank the company gives you, at the company's price, and return the car nearly empty.

In the past, you had only two choices: fill up the tank yourself just before returning the car or let the rental-car company do it for a much higher cost per gallon.

By paying for the full tank of gas ahead of time, you get a per-gallon price that's as much as \$1 a gallon lower than you'd be charged if the rental company topped off the tank when you came back. The pre-trip price, however, is still not as low as what you'd probably pay at a gas station just before returning the car.

"In most metropolitan areas," says Stan Schuer, executive director of the Brooklyn-based Gas Station Association, "you'll save around 10 to 15 cents a gallon compared with what you'd pay if you bought the tank in advance from the rental company."

And, of course, a lot depends on how much driving you plan to do. If you bring the car back with half a tank of gas, you're wasting half of what you paid in advance. The companies don't give you credit for the gasoline you bring back.

"The companies offer this as a convenience for people who may not have the time or inclination to hunt for a gas station

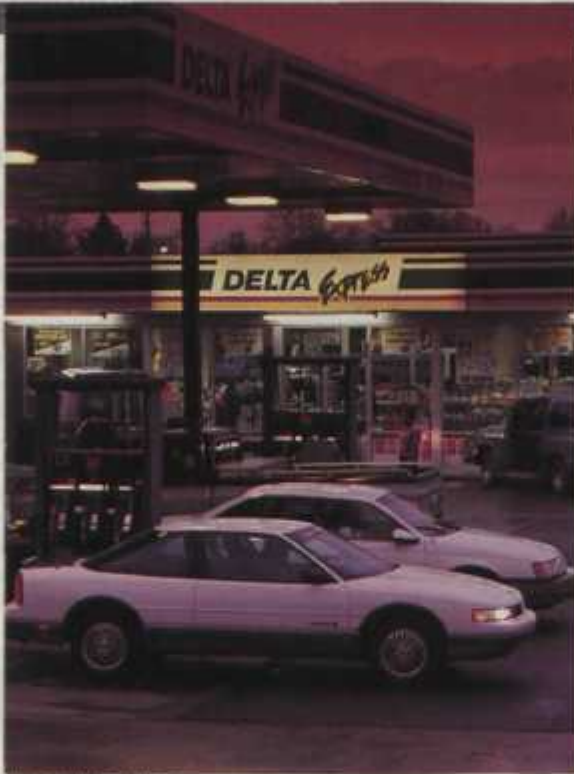


PHOTO: EUGEN RELEY-FOLIO, INC.

Filling up a rental car yourself, before turning it in, may be your least-expensive choice.

before they return their cars," says Jan Armstrong, an executive with the American Car Rental Association, based in Washington, D.C. "Ask ahead of time about their gasoline policy."

If you purchase the tankful ahead of time or fill up the tank yourself, it's a good idea to check your receipt to make sure you get credit for it. "If you find charges for gasoline on your bill after you bought the tank or otherwise filled it up," Armstrong says, "challenge it right there, and they'll make the adjustment."

"Fare Wars": Coming To An Airport Near You?

Check almost any major airline hub this spring, and you'll find fierce competition that's cutting round-trip fares to selected cities by 50 percent or more.

In most instances, a fare war starts when a regional airline begins service in a new city and offers flights at half the prices charged by competitors, forcing them to do the same.

Southwest Airlines offered low-cost

fares that don't have the restrictions that other airlines generally set on their deepest-discount fares, such as two to three weeks' advance purchase, a Saturday-night stay, and departure and return on specific days of the week.

Going a step further, Southwest added a Friends Fly Free program under which two can fly for the price of one. Continental Airlines fought back with programs that match Southwest's.

"Now, everybody's getting into the act," says Tom Parsons, editor of *Best Fares*, a discount-travel magazine based in Dallas; he reads off such names as USAir, Delta, United, America West, and American.

"Other small-airline competitors are coming in, too," says Joe Lampkin, Southwest's Baltimore-Washington regional manager, naming ValuJet, whose hub is in Atlanta; Reno Airline, which serves Nevada and California; and Kiwi, whose hub is in Newark, N.J.

Another small airline, Morris, based in Salt Lake City, is merging with Southwest to open up West Coast business, and United Airlines is forming Friendship Express, its own fast-turnaround, low-fare airline.

"The regions that were once dominated by the bigger airlines are now falling apart under heavy competition," Parsons says. Meanwhile, he adds, "coast-to-coast flights still involve fairly high fares."

Some of the lowest fares are difficult to find because they may be salted way down on travel agents' computer listings. "You have to be an educated traveler," Parsons says, "by asking your travel agent to look at fares in alternative cities near where you are or where you're going."

And a smaller, low-cost airline's fare may not always be your best bet. One of the majors may drop its fares to meet the competition and still give you some of the frills and scheduling you might not get with a low-cost competitor.

To Keep Or Not To Keep—That Is The Car Question

You've had your car for, say, four years, and you're getting itchy for a new one. Should you trade it in for a '94 model? Or should you keep it for another year or so to save money?

"Most of us buy a new car because we're bored with the old one," says Pat



Peter Weaver is a Washington-based columnist on personal finance.

Goss, automotive expert with the syndicated television program "Motor Week" and owner of a repair shop in Riverdale, Md. "It's almost unheard of that a new car is more practical than a used car from a financial standpoint," Goss says.

Runzheimer International, a management consulting firm, compared the cost of keeping a four-year-old car and buying a new one. In the published report, Runzheimer's Lee Czarapata, vice president in charge of the transportation division, said: "Even though the newer car has a much greater trade-in value after four years, and you also save on repairs and maintenance, the monthly car payments, which totaled more than \$14,000 in principal and interest over four years, more than counterbalance these factors." According to Czarapata, driving the newer car cost nearly \$9,000 more over four years than keeping the older one.

But when it comes to buying cars, it's often hard to think rationally. Other factors enter in, such as one's image, comfort, and, more recently, safety. "If a new car has ABS [anti-lock braking system] and air bags," says Pat Goss, "it might be worth it." But be careful, he warns: "The old car might be safer than the new one because it is bigger and stronger even if the new one has air bags and ABS."

If you can waive the subjective factors, such as looks and boredom, how long can you expect to keep an older car? Goss says his repair shop is servicing cars up to 15 years old, but, he adds, "a lot depends on the car's overall condition and how well you maintain it."

You have to practice preventive maintenance, follow the servicing schedule in the owner's manual, keep the upholstery clean, and have the body work done when necessary. "To keep the car looking good for a long time to come," Goss says, "you should wash it frequently and have it waxed four times a year—waxing is vital."

As a dividend, an older car is less costly to insure. The cost of collision coverage declines as a car ages.

CREDIT CARDS

Price Protection For Eagle-Eyed Shoppers

You see a television set, a VCR, a compact-disc player, or a camera for what you think is a good price, and you buy it with your credit card. A week later, you see the same item advertised for \$100 less by another retailer. You grind your teeth, feeling you've been had.

Not so if you have a certain type of credit-card plan. According to Visa and MasterCard, some banks around the country are offering a "card-enhancement" feature that reimburses you for at least part of the difference between what you paid for a product and the lower price that

INVESTING

Building A Tax-Free College Tuition Fund

Young families are appalled when they discover how much it will cost to put their children through college. According to projections, the cost in 15 years or so could range from nearly \$30,000 a year for an in-state public university to \$60,000 or more for a private college.

One way to start building a college fund is to purchase U.S. savings bonds for the

can be a complex investment if you want to take full advantage of the tax-saving features." In the first place, he explains, "the bonds must be in the parents' name—not the child's name." Grandparents and others should keep this in mind when they buy savings bonds as gifts.

And the parents' adjusted gross income (AGI) must fall below certain levels. Last year, for couples filing jointly, the level was \$68,250. For singles, it was \$45,000. As incomes rise above these limits, the tax



PHOTO: BOBCK SARGIS—UNIPHOTO

Savings bonds can be an excellent way to save for a child's college education—but it makes a difference whether the bonds are in the parents' names or the child's.

children. The big attraction of these bonds is that you don't have to pay tax as the interest is earned, and, if you meet the Internal Revenue Service's eligibility rules, you can avoid tax altogether when you cash the bonds in to pay for college.

Another plus about savings bonds, says Jonathan Pond, a CPA financial planner and author of *The New Century Family Money Book* (Dell), "is the fact that you can just sit on them and let the money accumulate. No big decisions, no broker's fees, no mutual-fund fees."

Pond adds, however, that "these bonds

break diminishes; when the AGI reaches \$98,250 for couples or \$60,500 for a single taxpayer, it disappears completely. These limits are adjusted annually for inflation.

The interest paid on savings bonds is calculated at 85 percent of the rate on U.S. Treasury five-year notes and is adjusted every six months. Right now, the rate is 4.25 percent, but it could change a little after May 1, the next adjustment date.

Having this variable rate, Pond says, "will protect the investment over the years when interest rates rise." You won't be locked in at lower rates. To get the full rate advantage, however, you have to keep the bonds at least five years. And when it comes time to cash them in for college, the money must go into defraying tuition costs, not for room and board.

So, what about parents whose incomes don't fit the IRS mold for savings-bond tax breaks? In this case, Pond says, "it's still not a bad investment." The income from the bonds escapes state and local taxes entirely, and the federal tax is deferred until the bonds are cashed in.

Higher-income parents should consider having the bonds in the child's name, not theirs. That way, when the bonds are redeemed, the compounded interest is taxed at the child's lower rate.

U.S. savings bonds can be purchased at most banks and savings institutions.

you later see in an advertisement for it.

For example, under Citibank's free Price Protection Plan for its credit-card users, if you purchase a covered item and find a lower advertised price later on, you can request a form to send in along with your receipt and the advertisement showing the lower price. Citibank credits your account up to \$150 for the difference in price, with a \$1,000 annual maximum claim limit.

The Prudential Securities Command Account, which uses a Visa gold debit card to help clients access cash, reimburses up to \$250 per purchase under its Price Plus program. This plan also has a \$1,000 annual maximum claim limit.

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Where I Stand



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ON PROPERTY RIGHTS

Results of this poll on property rights will be forwarded to congressional and administration leaders.

Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1

When the federal government restricts use of private property for environmental reasons, should owners of that property be compensated?

1. Yes
2. No
3. No opinion

4

Should federal regulators pay more attention to community views on how environmental restrictions would affect the economy of that community?

1. Yes
2. No
3. No opinion

2

All wetlands are now subject to the same degree of regulation. Should this level vary according to the value and function of specific wetlands?

1. Yes
2. No
3. No opinion

5

Does the Endangered Species Act excessively favor protection of wildlife and plants over economic growth?

1. Yes
2. No
3. No opinion

3

Should wetlands development be permitted under a no-net-loss policy, which involves the creation, restoration, or enhancement of other wetlands to offset use of the developed property?

1. Yes
2. No
3. No opinion

6

Opponents of federal regulation of property argue that planning and control of land use are matters for property owners and/or local governments. Do you agree?

1. Yes
2. No
3. No opinion

Send Your Response Today!

POLL RESULTS

Readers' Views On Welfare

Business people want President Clinton to press ahead with welfare reform this year rather than wait until Congress has passed health-care reform measures, according to a recent poll of *Nation's Business* readers.

Eighty-six percent of respondents to the February Where I Stand poll said the president should move ahead with proposals to reform the welfare system, while 12 percent said he should postpone action until Congress has dealt with health care. Only 2 percent had no opinion.

Respondents also said the U.S. should adopt a tougher approach to welfare benefits. Eighty-nine percent said benefits should be limited to two years; 93 percent said aid should be denied to noncitizens; and 92 percent said single mothers' benefits should be reduced if they refuse to help establish paternity of their children.

Readers disagreed considerably about whether the government should employ aid recipients unable to find private-sector work after completing job training. Fifty-six percent said the government should not employ those recipients, while 32 percent said it should. Twelve percent had no opinion.

Complete results of the poll appear below.

WELFARE

■ Should Congress postpone action on welfare reform until it has dealt with the health-care issue?	Yes	12%
	No	86%
	No opinion	2%

■ One welfare-reform proposal due for consideration would limit benefits to two years. Do you support that approach?	Yes	89%
	No	8%
	No opinion	3%

■ Another proposal would reduce benefits of single mothers who refuse to help establish paternity of their children. Should this idea be adopted?	Yes	92%
	No	5%
	No opinion	3%

■ Should welfare benefits be denied to noncitizens?	Yes	93%
	No	5%
	No opinion	2%

■ Should the government employ welfare recipients unable to find private-sector work after completing job training?	Yes	32%
	No	56%
	No opinion	12%

■ How do you assess President Clinton's chances of achieving his intention to "end welfare as we know it"?	Good	14%
	Poor	52%
	Nonexistent	34%

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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

DEADLINES

The IRS's Extension Policy: File Late But Pay On Time

As the April 15 deadline for tax returns draws near, some individuals struggling to complete their forms will seek a deadline extension, but that route has some pitfalls.

You can apply for an automatic four-month extension to Aug. 15. You can also request an additional two-month extension beyond the August deadline if you provide an acceptable reason for the delay. Acceptable reasons ordinarily include a serious illness, extended business travel, or the inability to obtain scheduled partnership information on time.

The extension request itself can be tricky. Generally, a taxpayer must pay the total tax due when requesting an extension. This means you must estimate the taxes owed and include a check for that amount with the extension request. But if the estimate is too low, the extension may later be determined to be invalid, and a penalty of 5 percent a month up to 25 percent of the net tax due may be assessed.

If you can't pay the estimated tax, you can request the extension and not pay the tax until Aug. 15 without incurring a penalty for failure to file. But you will incur a late-payment penalty of 0.5 percent of the taxes owed for each month your payment is delayed from April 15 plus 7 percent annual interest.

CHARITABLE CONTRIBUTIONS

Giving Appreciated Stock Can Be Less Costly Than Cash

If you make cash gifts to charities from time to time, consider this: If you have appreciated stock in your investment portfolio, a cash gift may not be the best way to handle your charitable contributions. If you give your appreciated stock to a charity, you will get an income-tax deduction for the stock's fair market



PHOTO: GRACIAH—THIRD COAST STOCK SOURCE

Requesting more time to file? Also pay your total estimated tax—or you'll be penalized.

Note, too, that if you can't pay the tax that is shown to be due on your return when you file, you can attach a Form 9465 Installment Agreement Request. Under this plan, you can pay your taxes monthly, but you incur the 0.5 percent late-payment penalty plus the 7 percent interest charge.

Despite the availability of an extension, keep one other factor in mind before requesting one. When you or your accountant calculates your extension, your tax must be calculated twice, once for the extension and again when the return is prepared. This means extra work for you if you are preparing your own return, and

extra costs if a preparer does it for you.

It is to your advantage to complete and file your return by April 15. You will avoid the extra costs and also the potential pitfalls of an extension.

If you think all of this is complicated, think how difficult your situation would be if the IRS should lose your extension request or the return itself. This has been known to happen, which is why we caution our readers annually to file federal, state, and local returns and extension requests by certified mail. You should also request a return receipt. The best proof of filing is a return receipt from the post office showing timely mailing.

value, and you won't incur any capital gain or alternative minimum tax as a result of the gift.

For example, Mr. Smith owns 100 shares of a certain stock that he bought five years ago for \$2,000. It's now worth \$10,000. If he gives that stock to a qualified charity, he will receive a \$10,000 deduction, subject to the charitable-deduction limitation, on his income tax return for that year. The \$8,000 of appreciation in the stock's value will not be subject to capital-gains tax, and thanks to a provision in the 1993 tax act, that gain won't be subject to the alternative minimum tax either.

If, on the other hand, Smith likes having 100 shares of that particular stock in his portfolio, should he give \$10,000 in cash instead? Not necessarily. He should consider giving the 100 shares he now

owns to a charity and simultaneously buying another 100 shares of the same company. By doing so, Smith would still own 100 shares of the stock—just as he would if he had donated cash—but he would achieve one important tax advantage over the cash gift: He would increase the tax basis of that particular stock in his portfolio to \$10,000, his new cost. If he were to sell that stock next week for \$10,000, he would incur no capital gain. If the new stock continued to appreciate, he would have to hold it for one more year to qualify the appreciation for capital-gains treatment.

Although giving away the stock and replacing it with an equal number of shares involves more paperwork and a little more trouble, the saving of tax on the capital gain—in this case, \$2,240—could be well worth it.



Tax lawyer Albert B. Ellentuck is counsel to the Washington, D.C., law firm of King & Nordlinger. Readers should see tax and legal advisers on specific cases.

Editorial

The Enduring Legacy Of Higher Taxes

Consider individuals grouped by the years in which they were born: 1920, 1950, and 1980.

Over their lifetimes, members of the second generation will pay taxes—federal, state, and local combined—at a rate 22 percent higher than the first generation did. The third generation, in turn, will pay at a rate 18 percent higher than their parents did and 44 percent higher than their grandparents did.

And while that climb in the tax rate slowed over the past decade as a result of the Reagan tax reductions and strengthening grass-roots opposition to ever-higher levels, the trend will continue. The U.S. Office of Management and Budget says, "The lifetime net tax rate estimated for future generations is much higher than the lifetime net tax rates estimated for existing generations."

Those future generations could be paying 80 to 90 percent of their incomes to federal, state, and local tax collectors if 20th century patterns remain unchanged.

OMB discusses "generational accounting" in commenting on President Clinton's budget for the fiscal year beginning Sept. 1. Although a comparison of tax obligations from 1900 far into the future may seem removed from the question of the administration's spending and revenue plans for the near term, the information offers a valuable insight into the direction of government finances.

It provides a solid basis for the oft-stated argument that

Taxes: A Generational Perspective



*Combined federal, state, and local tax rates

SOURCE: BUDGET OF THE U.S. GOVERNMENT, ANALYTICAL PERSPECTIVES, FISCAL YEAR 1993

our national policy consists of foisting as many obligations as possible onto future generations. That, of course, is also obvious in the \$4.5 trillion national debt, which is expected to grow 38 percent over the next five years.

As the government spends more and borrows more, the legacy of each generation to the next is a higher tax bill.

Elected officials should anticipate the day, which cannot be far away, when the American people will no longer tolerate such a situation.

Separating Rhetoric And Reality

There is more and more talk from Washington about the need to cut back on the regulations that make it increasingly difficult for many businesses to survive, much less make a profit. But while the rhetoric is appealing, the facts of life in the national capital do not offer grounds for being optimistic about regulatory relief.

Congress is considering health-care, environmental, job-safety, and labor-management bills that would expand the federal regulatory apparatus.

Several of the pending health-care proposals would require all employers to provide health insurance to workers, create a huge bureaucracy to oversee a revamped system, and impose price controls.

Proposed amendments to the Clean Water Act, whose considerable progress toward its goals would continue under its current provisions, call for a vast new array of

regulations on businesses that have not yet absorbed the full impact and cost of the Clean Air Act amendments of 1990.

Proposals for tightening protection of wetlands under the Clean Water Act and endangered species under another law up for renewal would increase governmental authority to prevent owners of private property from determining how they use it.

In the labor-and-management area, one bill would restrict employers' ability to monitor worker performance, while another would make it easier for employees to strike without fear that they would be replaced.

Decisions on those and other proposals for the further intrusion of government into the marketplace, not rhetoric, will demonstrate the commitment of the administration and Congress to regulatory reform.

Free-Spirited Enterprise

By Janet L. Willen

A Drip In Time

Just because you have no water dripping from the ceiling doesn't necessarily mean you don't have hidden leaks in your plumbing. To find unseen leaks, a plumbing-repair company based in Palm Springs, Calif., employs technology.

American Leak Detection uses sound and radio waves to pinpoint the sources of hidden leaks in walls, below ground, and elsewhere.

In an average-sized house or small commercial building, inspection usually takes from one to four hours and costs \$150 to \$250. The customer pays only if the company finds a leak. The firm's repair fees vary with the job.

The company, which has franchises nationwide, also offers a free water-conservation guide and checklist for determining if your home has a leak. For more information, call 1-800-755-6697.

High-Tech Protection

You protect your computer software with a password. The **Safety & Security Warehouse**, of San Francisco, wants you to

keep your hardware secure, too. The company's **SonicPro** is a motion-sensitive alarm that you attach to high-tech equipment. When the device is activated, the alarm sounds

ILLUSTRATIONS: PAT MURPHY

at 110 decibels.

You can program the **SonicPro** for the degree of sensitivity to touch, the duration of the alarm, and the interval from when the equipment is touched to when the alarm sounds. You can also program two access codes that turn the alarm off.

A white **SonicPro** model measures 4 by 2½ by 1 inches and is designed to be attached to computers, fax machines, modems, and other electronic equipment. A slightly smaller black model is suitable for laptop computers. Both models adhere to equipment with 3M double-sided tape.

SonicPro costs \$79, which includes a three-year, \$5,000 theft-insurance policy. For more information, call 1-800-404-9266.

Doing Windows

Another anti-theft device comes from the **ProblemSolvers**, a Manchester, Conn., company.

The firm's **StopLock** is designed to restrict

access to vertical and horizontal sliding windows—whether they're open or closed.

The deadbolt lock looks like a ¼-inch-thick letter "g." The closed part measures 3 by ¾ inches and is made out of high-impact plastic. The descending part is a lever made of steel alloy.

You screw the upper section



to the cross-member frame of a window and drill one or more holes into the track for the tip of the lever. When the lever is in the hole, the window is locked into place.

To open the window, you lift the lever from the track and pull it. You can drill holes at intervals along the track, allowing you to lock the window open wherever you choose.

The **StopLock** costs \$7.95. It is available at locksmiths or from **ProblemSolvers** at 1-800-397-6980.

Some Work And Some Play

Board games aren't just for playing. They're also a training tool from **Quality Educational Development, Inc.**, of New York.

The company's **Diversity Game** focuses on issues in domestic workplaces, and its **Global Diversity Game** looks at international business issues.

Teams of players answer questions on demographics, jobs, legislation, society, and management. To win, players must answer questions correctly as they follow a path to the center of the board.

A sample:

Question: In the 1990 census, the white population grew 6 percent from 1980. By what percent did the Asian population grow from 1980 to 1990?

(A) 53 percent; (B) 108 percent; (C) 206 percent.

Answer: (B) 108 percent, to more than 7 million. The Hispanic population grew by 53 percent, and the African-American population grew by 13 percent.

The game comes with a training guide, which includes references for all the questions. Each game costs \$395 (volume discounts are available) and can be previewed for a week for \$60. The company also develops games for corporations. For more information, call (212) 724-3335.





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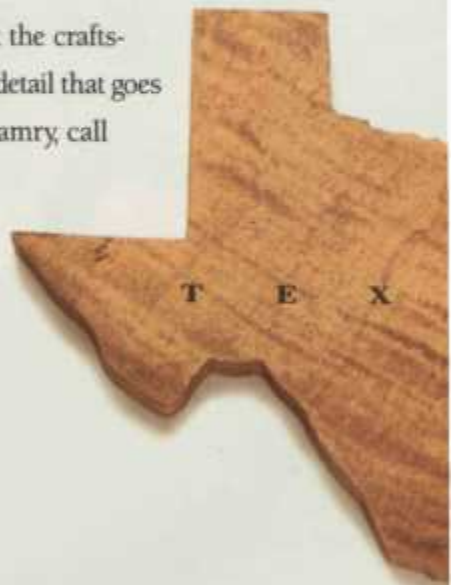



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Battery Life: 26 to 93 hours†	Get ready for the longest power trip of your life.
PCMCIA: Type II (201) slot	Adapters the size of a credit card.
Hard Drive: 125MB or 250MB	Store all of your deepest thoughts.
Price: \$1,999.00 for 125MB††	Who says power has its price?

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The Business Advocate

SUPPLEMENT TO **Nation's Business** APRIL 1994

U.S. Chamber of Commerce

Chamber Board Rejects Health-Care Mandate



Chamber President Richard L. Leshner, right, and Robert E. Patricelli, chairman of the organization's Health and Employee Benefits Committee, answer questions at a press conference on the board's health-care actions.

The board of directors of the U.S. Chamber of Commerce voted to oppose employer mandates as a means of achieving health-care reform, and it suspended its support for insurance coverage for all Americans, pending the outcome of a poll of members.

See Page 92.

■ Business Ballot

Firms Unexcited By Clinton's Policies



Discussing the results of the February Business Ballot poll are Julie Gackebach, director of the Chamber's Tax Policy Center; William Warren (center), acting chairman of the Chamber's Tax Policy Committee; and Chamber Vice President and Chief Economist Martin Regalla.

President Clinton's policies have done little to improve the business climate nationwide, say members of the U.S. Chamber of Commerce.

They made their views known in the latest Business Ballot poll, conducted in February.

More than 50 percent of the respondents said Clinton's domestic policies have had a negative effect on the business climate. Just 7.6 percent said his policies have had a positive impact, and 41.7 percent said the policies have had "very little" effect.

When asked about the impact on their own companies, nearly 46 percent of the respondents said Clinton's policies have had a negative impact, while only 5 percent said the policies have had a positive effect; 49.4 percent said the policies have had "very little" effect.

Other poll results appear below. Be sure to respond to this month's six Business Ballot questions.

■ Economy

Confidence Falls Slightly

Business confidence in the economy fell slightly in February after ending 1993 on an upswing, according to results of the latest Business Ballot poll of U.S. Chamber of Commerce members.

The Business Confidence Index, a composite of the results of three bimonthly economic-outlook questions, dropped from 54.3 in December to 51 in February. The index had been rising since August, when it was 45.6.

The questions repeated bimonthly ask Chamber members' six-month outlook for their firms' employment and sales and on the economy in general.

An index of 50 means the number of businesses expecting increases in their sales, employment, and the general economy over the next six months is equal to the number expecting decreases.

In analyzing the drop in the index, Robert Barr, deputy chief economist for the Chamber, said: "The buoyancy exhibited in December's sharp gain wore off a bit as business had to contend with both higher interest rates and abnormal weather patterns."

While the decrease in the Chamber's index portends slower economic growth in

the first quarter of 1994, Barr said, the growth "will still be robust relative to what we've experienced over the past several years."

The percentage of respondents to the February poll who said they expect the economy to improve over the next six months changed little from December's survey, with 29.5 percent in the February poll believing the economy was headed up,

compared with 30.2 percent in December.

But 32.2 percent said they expect the economy to worsen by August, while 26.2 percent in the December poll expected a decline.

In February, 38.3 percent expected no change in the economy, down from 43.6 percent in December.

For their own companies, 35.3 percent of the more than 9,000 respondents said they expect their sales to rise in the next six months, compared with 39.6 percent in the December poll. Believing sales would fall were 23.2 percent; and 41.5 percent expected no change.

Just 16 percent of the respondents said they expect to add employees over the next six months, down from 19 percent in December. And the percentage expecting to cut jobs rose from 16.3 percent in December to 19.4 percent in February.

Nearly the same percentage of respondents for each poll—64.6 in February and 64.7 in December—said they expect no change in employment for their firms.

The Business Ballot poll is distributed bimonthly with Nation's Business and The Business Advocate. Be sure to respond to this month's poll on your economic outlook and on matters related to the federal budget. The results will be reported in the June issue of The Business Advocate.



■ Annual Meeting

Bowles, Blue Chip Honors Mark Event

President Clinton's vision for the Small Business Administration is a "leaner, more effective, more efficient" agency that is "focused on meeting the needs of small business," Erskine Bowles, the SBA's administrator, told U.S. Chamber of Commerce members attending the 1994 National Small Business Conference.

The gathering, which also served as the Chamber's annual meeting, was Feb. 28 at the federation's headquarters in Washington. Chamber members also took part at more than 100 broadcast satellite downlink sites nationwide.

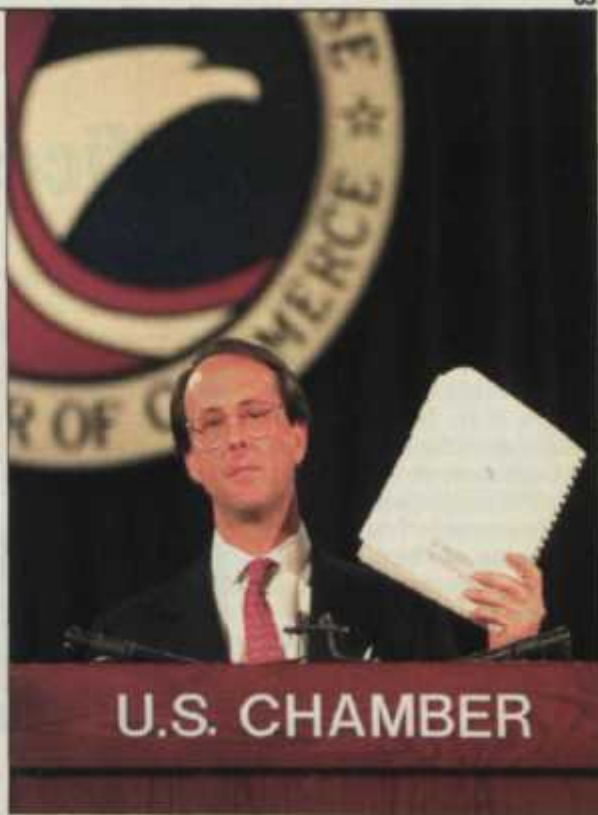
Bowles told meeting participants that the administration, through the SBA, is focused on small business and has given it a "seat at the economic table." Bowles is the first SBA administrator to be appointed to the president's National Economic Council.

The SBA's four goals under Clinton, Bowles said, are to end the credit crunch for small firms; attack government regulations that adversely affect

small business; make the SBA "more efficient and more user-friendly"; and serve as the president's "eyes and ears" within the small-business community.

The agency is moving toward achieving all those goals. For example, the funds available for SBA's general lending program have been increased from about \$5 billion a year to \$8 billion, Bowles said, and program administrative costs have been cut by \$180 million.

In addition, the agency has established a pilot program with export-trade-assistance centers in Baltimore, Chicago, Los Angeles, and Miami. The centers are serving as one-stop shops for all the export needs of small firms, including export financing. And, Bowles noted, a



SBA Administrator Erskine Bowles notes that the size of an SBA loan application has been reduced significantly as part of efforts to make the agency more effective and user-friendly.

new working-capital finance program to make it easier for companies to obtain money for growth was scheduled for implementation March 30.

Bowles also saluted the four national Blue Chip Enterprise Initiative designees, who were honored during the Chamber meeting.

The Blue Chip Enterprise program, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber, and *Nation's Business* magazine, recognizes small firms that have overcome adversity.

The 1994 national honorees are: East Coast Seafood, Inc., of Lynn, Mass.; GS Technologies, Inc., of Fairfield, Iowa; Steiner/Bressler Advertising, of Birmingham, Ala.; and Touchstone Research Laboratory, Ltd., of Triadelphia, W.Va.

David E. Sams Jr., president and chief executive officer of Connecticut Mutual, presented trophies to the principals of the Blue Chip Enterprise companies. Accepting the awards on behalf of their firms were Michael Tourkistas, president of East Coast Seafood; Ralph Grosswald, founder and president of GS Technologies; John Zimmerman, president of Steiner/Bressler Advertising; and Touchstone Research Laboratory's Elizabeth Kraftician, president, and Brian E. Joseph, laboratory director.

(Profiles of the four national honorees begin on Page 44 in the April *Nation's Business*.)



Elizabeth Kraftician and Brian E. Joseph (right) of Touchstone Research Laboratory, in Triadelphia, W.Va., receive one of four 1994 Blue Chip Enterprise trophies from David E. Sams Jr., president and CEO of Connecticut Mutual Life Insurance Co., at the Chamber's annual meeting.

■ Leadership

1994-95 Officers Assume Duties

William C. Marcil, president and chief executive officer of Forum Communications Co. and publisher of *The Forum* newspaper in Fargo, N.D., became 1994-95 chairman of the U.S. Chamber of Commerce at the February board of directors meeting.

He succeeds Ivan W. Gorr, chairman of the board and chief executive officer of Cooper Tire & Rubber Co., of Findlay, Ohio. Marcil was previously vice chairman of the Chamber.

(A profile of Marcil appears on Page 51 of the April issue of *Nation's Business*.)

The Chamber's vice chairman for 1994-95 is Dennis W. Sheehan, chairman,



William C. Marcil, left, the U.S. Chamber's chairman for 1994-95, is president and CEO of Forum Communications Co., in Fargo, N.D. Dennis W. Sheehan, 1994-95 vice chairman, is chairman, president, and CEO of AXIA Inc., in Oak Brook, Ill.

president, and chief executive officer of AXIA Inc., of Oak Brook, Ill. AXIA is a privately owned manufacturer of

commercial and industrial products.

Marcil, who has been a Chamber director since April 1986, is a member of the Inland Daily Press Association, the North Dakota Press Association, the Minnesota Press Association, and the National Association of Broadcasters. He was a former chairman of the Newspaper Association of America when its name was the American Newspaper Publishers Association.

Sheehan, a Chamber director since April 1990, also serves on the boards of the National Council on Crime and Delinquency, Allied Healthcare Products Inc., and the Management Association of Illinois.

■ Call Now

Product-Liability Vote Expected Soon

The U.S. Chamber of Commerce is urging its members to help win Senate approval of product-liability legislation, which is expected to be voted on by the Senate shortly after April 11.

The Chamber-backed bill, S. 687, is sponsored by Sen. John D. Rockefeller IV, D-W.Va., and 45 of his colleagues.

The measure was approved by the Senate Commerce, Science and Trans-

portation Committee in November by a 16-4 vote.

The legislation must be discharged from the Senate Judiciary Committee, which also has jurisdiction over the bill, by April 11.

It would create a uniform product-liability law to replace the current system of 50 state laws, which often results in conflicts and confusion for businesses.

The major test of the bill's support will be a Senate vote to cut off debate on the measure. Supporters of the legislation need 60 votes to end a filibuster; a simple majority is needed for passage of the bill.

Rep. John D. Dingell, D-Mich., chairman of the House Energy and Commerce Committee, which has jurisdiction over a similar bill in the House, has indicated that his panel will consider the measure once the Senate approves its version.

The House bill (H.R. 1910) is sponsored by Rep. J. Roy Rowland, D-Ga., and 137 of his colleagues.

Among other provisions, both the Senate's and the House's product-liability measures would limit punitive-damages awards, set a statute of limitations for filing lawsuits, eliminate joint and several liability, and call for more and quicker out-of-court settlements.

Call your senators and representatives and urge them to support product-liability reform. For senators, dial the Capitol switchboard at (202) 224-3121; for representatives, call (202) 225-3121. Also, fill out and send in the accompanying coupon to receive more detailed information about product-liability legislation.

Please include me in the U.S. Chamber's efforts to pass a uniform, federal product-liability law, and include my name when you are demonstrating support for product-liability reform.

Name: _____ Title: _____

Company: _____

Address: _____

City: _____ State: _____ ZIP: _____

Phone #: _____ Fax #: _____

Return to: **The U.S. Chamber of Commerce** Or Fax to: (301) 468-5119
Attn: Sunny Pritchard
4940 Nicholson Court
Kensington, Md. 20895

■ Learning Services

Tapes For Training

The U.S. Chamber of Commerce's Quality Learning Services Division has joined with two leading training organizations to offer a wide variety of materials through a new catalog, *Workplace Training Resources*.

The catalog includes videotapes produced by Quality Learning Services, as well as books and videotapes issued by the Bureau of Business Practice, a publishing company in Englewood Cliffs, N.J., and Crisp Publications, in Menlo Park,



Calif. The subject matter ranges from quality management and customer satisfaction to sexual harassment and workplace safety.

Discounts are available to U.S. Chamber members. Copies of the catalog, which are free to U.S. Chamber members,

can be ordered from Quality Learning Services by calling 1-800-835-4730. Within the Washington metropolitan area, call (202) 463-5940.

■ Management

Seminars Offer Expert Advice



Author John Naisbitt, above, answers questions from the audience at a Feb. 24 quality-management seminar moderated by Chamber Vice President Meryl Comer and sponsored by the Chamber's Quality Learning Services Division. At right are panelists Richard E. O'Leary, chairman, H Enterprises International, Inc., in Minneapolis; Bill Sterling, first vice president and manager of International economics, with Merrill Lynch, in New York; and Andreas Van Agt, with the Delegation of the Commission of the European Communities. See details on the fall seminars in your May *Business Advocate*.



■ Legislation

Bill Would Hike Civil Penalties

A provision in the administration's reinventing-government legislation would increase all federal civil penalties, except those related to the Internal Revenue Code.

The penalty hike is contained in three paragraphs in the 240-section National Performance Review bill (H.R. 3400). The legislation passed the House on the final day of last year's congressional session and is awaiting action in the Senate.

The problematic paragraphs, Section 16701, would index civil monetary penalties to the rate of inflation. For the past several years, annual inflation has been about 3 percent.

The provision would require federal agencies to adjust their penalties at least every four years. It also would require agencies to adjust their penalties immediately to reflect past inflation back to the year the penalties were set or last adjusted.

The U.S. Chamber of Commerce is alerting its members and senators to the provision in an effort to generate enough opposition to have the paragraphs deleted from the bill when the Senate takes up the legislation.

The reinventing-government bill is expected to be reported out of the Senate Governmental Affairs Committee in April. The panel held hearings on the measure in March.

Contact your senators immediately. Urge them to strike Section 16701, dealing with civil penalties, from the president's reinventing-government bill. Refer to bill number H.R. 3400. Write U.S. Senate, Washington, D.C. 20510, or call the Senate switchboard at (202) 224-3121.

■ Purchasing

A Push For Change

"The time is ripe for major change in the government's procurement system," a witness for the U.S. Chamber of Commerce told a House panel considering reform of the way federal agencies buy goods and services.

Victoria Bondoc, president and CEO of Gemini Industries, Inc., in Burlington, Mass., told the House Small Business Subcommittee on Procurement, Taxation and Tourism that the federal contracting process should be restructured to help businesses, particularly small firms, sell to the government.

Bondoc said four reforms are particularly important to small contractors. She said Congress should:

- Raise the threshold for contracts reserved for small firms to \$100,000 from \$25,000 and improve notice to small companies of the existence of contract opportunities.

- Improve government debriefings so that losing bidders obtain meaningful information on why they were rejected.

- Ensure that contractors are paid promptly.

"Changes in these areas in particular

would address some of the major obstacles small businesses face in trying to break into the government market," Bondoc testified.

Congress is considering several bills to revamp government purchasing, and each contains elements supported by the Chamber. Among the measures are bills sponsored by Reps. John Conyers Jr., D-Mich., and James H. Bilbray, D-New., and Sen. John Glenn, D-Ohio.

Bondoc told the House subcommittee that the Chamber supports legislative language that would allow agencies to use *Commerce Business Daily*, published by the U.S. Commerce Department, to notify firms about contracts of \$25,000 or less.

If an agency uses a computer electronic bulletin board for notification of contracts, the threshold for small-company contracts should be \$50,000, Bondoc said. If the government implements an electronic data interchange (EDI) system—a network of electronic bulletin boards that the Chamber would like to see established—the threshold should be \$100,000. Bondoc,



Victoria Bondoc tells a House panel that changes in government purchasing rules would help small firms.

whose firm provides technical and management consulting services to the U.S. Defense and Transportation departments and other federal agencies, also urged lawmakers to change the procurement rules to allow agencies to purchase more of their goods off the shelf.

"The Chamber has long believed that good public policy necessitates greater use by the government of commercial products," she said. Off-the-shelf purchases, without requirements that all products be made to detailed specifications, would reduce the government's acquisition costs, she said.

■ Communications

Data Highway Gains Attention

As the Clinton administration moves ahead with its plans for a national "information superhighway," the U.S. Chamber of Commerce is positioning itself to ensure that users and providers will have a voice in building the system.

The Chamber has formed a telecommunications infrastructure task force, which includes Chamber-member companies in the telecommunications field and ones that are likely users of the system.

The group will monitor legislative action and work with the administration and Congress to develop a system using the latest communications technologies to bring information, education, and services to all segments of society.

The proposed information superhighway was announced last September by Vice President Al Gore and U.S. Commerce Secretary Ron Brown as the administration's National Information Infrastructure (NII) initiative. The administration's goal is to establish a public-private partnership



Clarence L. Irving, assistant secretary for communications and information in the U.S. Commerce Department, addresses a new Chamber task force on the administration's plans for a national communications network.

that would link people throughout the nation through a network of computers, telephones, televisions, and other communications devices.

To that end, the administration has proposed legislative and administrative changes to existing telecommunications policy that would:

- Encourage private investment in the national system.

- Promote competition among telecommunications providers.

- Provide consumers and service providers access to the NII.

- Advance universal service.

Several measures dealing with various aspects of telecommunications are now being considered by congressional committees.

The Chamber task force is studying the various proposals and issues and will be recommending policies for Chamber board approval during the next several months. The task force plans to:

- Identify key national infrastructure issues that are important to U.S. businesses that use telecommunications and telecommunications-based products and services.

- Educate companies about the importance of telecommunications issues to their long-term growth.

- Persuade Congress and the Clinton administration to adopt legislation and regulations that meet the needs of business and address the concerns of telecommunications users and providers.

The Chamber is particularly concerned about any standards, licensing requirements, or regulations imposed on users.

GAIN UPDATE

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U.S. Chamber of Commerce Federation

Chamber Takes Major Steps On Health Care

Environment, education, OSHA, and trade issues also set for action.

The board of directors of the U.S. Chamber of Commerce took decisive steps at its recent meeting toward establishing the Chamber's place in the unfolding debate over health-care reform.

It declared its opposition to employer mandates requiring businesses to pay for the health insurance of workers and suspended policy on universal coverage as a goal. The board said that a determination of its position on universal coverage and financing issues would await the outcome of a poll of all its 220,000 members.

William C. Marcell, 1994-95 U.S. Chamber chairman, said: "Any reform of America's health-care system must be a market-based solution without excessive cost, regulation, or bureaucracy. Unless the membership poll indicates otherwise, the Chamber will not support an employer mandate."

Marcell, who is president and CEO of Forum Communications Co., of Fargo, N.D., and publisher of *The Forum* newspaper in Fargo, went on to emphasize that the Chamber "specifically rejects President Clinton's Health Security Act as a starting point for reform debate."

He commented at a Feb. 28 news conference called to announce the board's actions that day on health-care reform.

Robert E. Patricelli, chairman of the Chamber's Health and Employee Benefits Committee and chairman of Value Health, Inc., in Avon, Conn., told the news media that the board had voted to endorse "eight specific reform elements that we believe should be part of any legislation."

These elements are:

- A standard benefits package that all insurers would offer to permit comparison shopping, but which could be modified to suit individual and employer preferences.
- Price and quality report cards on health plans.
- Insurance reforms to ensure availability and portability of coverage.
- Choice and other incentives to make consumers sensitive to costs.
- Voluntary purchasing pools for small employers and individuals.
- Simplified administration.

■ Significant medical malpractice reforms, including a cap on noneconomic damages.

■ 100 percent tax deductibility for medical expenses of the self-employed.

Chamber President Richard L. Leshner explained that the membership survey is building on these reform elements and



focuses on various coverage and financing options, ranging from preserving the status quo to a government-funded, Canadian-style system. Leshner said: "We are a membership organization, and our objective is to reflect the informed consensus of our members, which include businesses of all types and sizes. We want our members to vote

on the full range of ideas that are before Congress.

"We believe that our policy process in the health-care field, managed by Bob Patricelli, has been the most thorough and objective undertaken by any business organization," Leshner continued. "Our effort is to improve the quality of the debate without ducking the hard decisions. We intend to give our members the full range of choices and to listen to their informed decisions."

Chamber Heads Group Seeking Economically, Environmentally Sound Changes In Water Act

The U.S. Chamber is providing leadership for the Clean Water Industry Coalition, which is working for "fair, efficient, economic, and environmentally productive implementation of the Clean Water Act."

The coalition, based in Washington, is made up of nearly 250 companies and associations representing many of the nation's major manufacturing and service industries, including motor vehicles, chemicals, food-processing, glass, mining, oil, pulp and paper, steel, surface finishing, textile manufacturing, electric utilities, and agribusiness.

The group is concentrating its efforts on reauthorization of the Clean Water Act (CWA), enacted in 1972. Congress is expected to amend the act during the reauthorization process this year. A bill to reauthorize and amend the law—S. 1114—is awaiting a vote by the full Senate after being approved Feb. 20 by the Senate Environment and Public Works Committee. In the House, a clean-water bill—H.R. 3948—was introduced March 4.

As approved by the Senate environment panel, S. 1114 would impose "unnecessary and costly mandates on society and fails to address effectively the nation's remaining water-quality problems," the industry coalition said. The coalition has not yet taken a position on the House bill but has identified some problems with it.

The coalition has told lawmakers: "It is important to remember that the CWA clearly has made our waterways cleaner and our environment better. Improvements will continue under current law."

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, the U.S. Chamber staff of specialists on legislative and regulatory issues provides activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how you can become a member of this network, call (202) 463-5604.

GAIN UPDATE

But, the group says, "disruption or drastic changes in the basic framework of the statute ... would only cause further delays in the progress being made."

The coalition called for "a consistent approach, with a view toward pursuing a broad public policy designed to further national goals, both environmental and economic, which will greatly contribute to the nation's ability to compete effectively in the domestic and international marketplace while making continued improvements in our water resources."

Offering to assist in the development of that policy, the coalition made several recommendations on what should

be included in—or excluded from—a renewed Clean Water Act:

■ **Effluent Guidelines**—The Environmental Protection Agency (EPA) should not be directed to rely on changes in manufacturing processes and new source-performance standards in establishing effluent guidelines. The agency does not have the technical expertise or resources to dictate production methods.

Effluent guidelines should remain performance-based and not be used to prohibit control technologies or limit releases to the environment other than to surface water.

■ **Pollution-Prevention Planning**—To be successful, pollution-prevention planning must be flexible enough to allow facilities to identify their own pollution-prevention methods. These involve facility-specific decisions about manufacturing processes and product quality.

■ **Water-Quality Criteria and Standards**—State water-quality programs that are protective of the designated uses of local surface water require standards and criteria that reflect site-specific conditions.

EPA criteria should not be prescribed nationwide. Mandating enforceable standards from federal criteria eliminates state primacy over establishment of water-quality standards.

■ **Pretreatment Standards**—Pretreatment requirements in the current Clean Water Act provide adequate control over hazardous materials and toxic pollutants from industrial sources. Arbitrary additional pretreatment mandates would be redundant, inefficient, extremely costly, and disruptive of the efficient operation of treatment plants.

■ **Enforcement**—Inasmuch as the present law is working, S. 1114, the pending Senate bill, would significantly and unnecessarily expand the law's enforcement authority by:

- Allowing citizen lawsuits against companies for past violations of the Clean Water Act.

- Extending enforcement provisions to indirect dischargers.

- Increasing criminal penalties for an initial violation.

- Doubling both fines and prison sentences for repeat offenders.

- Establishing minimum civil penalties assessable by a court or EPA.

- Allowing EPA or the Army Corps of Engineers to issue a Class I penalty without providing for public notice and a reasonable opportunity to comment on the proposed order.

- Deleting an existing defense from current law.



Stage Set For Passage Of Goals 2000: Educate America Legislation

Competing House and Senate bills reflecting President Clinton's strategy for meeting the national education goals were set to be considered by a conference committee in late March. Final action by Congress was expected before April 1.

If the legislation is approved by that date, the measure would qualify for federal funds for fiscal 1994 that have been set aside for its implementation.

The Goals 2000 legislation would codify the national education goals agreed upon by former President Bush and the nation's governors in 1990 and would authorize up to \$400 million in grants for state education-reform efforts.

The six education goals seek to ensure that all children begin school ready to learn; increase the high-school graduation rate to at least 90 percent; require proficiency in major subject areas; attain a No. 1 world ranking in mathematics and science; ensure that all adults are literate; and have drug- and violence-free schools.



The bills also would create a National Education Standards and Improvement Council to facilitate development of national content standards and a National Skills Standards Board to help create standards for occupational skills.

The Senate version, which the Chamber prefers over the House measure, makes establishment of education standards by the states voluntary. The House bill, which was passed in October by a vote of 307-118, would mandate that states write standards to qualify for government funds to implement Goals 2000.

The Senate bill also calls for a majority business presence on the skills-standards board. In addition, the Senate measure, which was approved in early February by a 71-25 vote, includes a school safety program that authorizes \$100 million in competitive grants to help schools deal with violence. It also includes reauthorization of the Education Department's Office of Educational Research and Improvement.

Chamber Promotes School-To-Work Programs As Legislation Nears Approval

The U.S. Chamber of Commerce is gearing up to help implement the School-to-Work Opportunities Act, which is expected to be approved by Congress and enacted this spring.

House and Senate members of a conference committee were working to resolve minor differences between their respective bodies' versions of the legislation, which will authorize up to \$300 million to states and localities to develop and implement school-to-work transition programs. The programs would link high-school students with businesses to provide "real-life" work experience that complements class work.

The Chamber has supported the legislation and serves on a U.S. Department of Labor working group that is seeking business and community involvement in the programs.

The business federation's Center for Workforce Preparation has already published a guide for businesses

that want to set up school-to-work programs. The publication, *New Century Workers*, contains 30 examples of such programs. To order copies, call the Center for Workforce Preparation at (202) 463-5525.

To qualify for the act's funds, states and communities would have to demonstrate that their school-to-work programs would provide meaningful work experience for participating students before they graduate, an academic curriculum that complements what is learned at the work site, and effective connections between the two.

OSHA Bill Opposed By Business Is Ready For Consideration By The Full House

Legislation to reform the Occupational Safety and Health Act was approved by the House Education and Labor Committee on March 10 and is awaiting consideration by the full House.

The U.S. Chamber is working to defeat the measure, which, among other mandates, would require that all employers have detailed safety and health plans and that companies with 11 or more workers establish employer-employee safety and health committees that would be granted broad rights and powers. It would also dramatically increase civil and criminal penalties for violations of the law.

During consideration by the education and labor panel, several committee members offered amendments to the bill, H.R. 1280.

All were rejected by the committee's chairman and the bill's sponsor, William D. Ford, D-Mich., and other Democrats on the panel.

- Some of the rejected amendments would have:
 - Provided incentives, instead of increased civil and criminal penalties, to encourage improvements in workplace health and safety.
 - Encouraged employers to implement drug-abuse policies.
 - Eliminated the requirement that employers establish and maintain a joint management-employee safety and health committee.
 - Removed the section implementing hundreds of Occupational Safety and Health Administration (OSHA) air-contaminant standards previously rejected by a federal court because they lacked an adequate scientific basis.
 - Struck language creating new criminal penalties and increasing the existing penalties.
- Employers are deeply concerned about the safety of their employees, according to the Chamber. Furthermore, the organization says, the rapidly climbing costs of workers' compensation claims and health care ensure employer attention to workplace safety and health.
- The proposed reform bill, known as the Comprehensive Occupational Safety and Health Reform Act (COSHRA), assumes that most employers don't care about workplace safety and health and that heavy civil and criminal penalties are necessary to force employers to pay attention to these issues.

Written and supported by the AFL-CIO, the legislation is based on the assumption that an adversarial relationship exists between all employers and employees.

COSHRA's disincentives to improving workplace safety include:

- Increasing civil and criminal penalties.
- Requiring all employers to establish a detailed and, most likely, ineffective health and safety program.
- Requiring most employers to establish a joint health and safety committee with broad powers to inspect the workplace and investigate employee safety complaints.
- Creating a new class of ill-defined crimes, including one for actions that cause "serious bodily injury."
- Broadening criminal responsibility to include individual managers and supervisors and requiring them to pay their own criminal penalties without assistance from the company.
- Increasing the minimum fine to \$1,000 for many violations of OSHA regulations.
- Prohibiting cost-benefit analyses of new OSHA regulations.

These mandates would undermine, rather than encourage, employer health and safety initiatives, according to the Chamber. The burdensome mandates of COSHRA would actually hinder improvements to workplace safety and health, it says.

The Chamber is urging that Congress do something positive on this issue rather than take the negative and confrontational approach embodied in COSHRA. The organization says OSHA reform legislation that does not recognize employers' concerns cannot achieve the goal of the original Occupational Safety and Health Act—a safe and healthful workplace for every American.

In addition, the Chamber says, OSHA reform should reflect the significant improvements in workplace health and safety that have been made since the act was adopted in 1970 and should encourage employers to further improve their workplaces.

Chamber Backs Enhancement Of Uruguay Round Agreement

The board of directors of the U.S. Chamber of Commerce supports the Uruguay Round Final Agreement on the General Agreement on Tariffs and Trade (GATT) but also believes that the agreement's value and its prospects for congressional approval could be significantly enhanced by the U.S. implementing legislation.

The GATT takes effect July 1, 1995. Congress currently is crafting legislation to make changes in U.S. laws to comply with the GATT provisions.



In a statement adopted at its February meeting, the board recommended that the implementing legislation include the following:

- Interpretations and clarifications to provisions relating to anti-dumping measures, dispute settlement, intellectual property, subsidies, and trade-related investment. As written, these provisions could negatively affect the ability of the U.S. to achieve greater fairness in international trade rules and practices, and clarification is needed to ensure that U.S. economic interests are advanced, the board said.
- Detailed language providing for monitoring and implementing the agreement by the U.S. government. This provision is necessary because the value of the Uruguay Round agreement will depend largely on effective monitoring and utilization.

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The board also called for market-access negotiations still under way in a number of areas to be concluded to bring additional commercial benefits, which would represent increased progress toward creating expanded market opportunities for U.S. businesses.

The Uruguay Round Final Agreement, which derives its name from the South American country where the initial meetings toward major revision in GATT were held, achieves progress toward a more open global trading

system. It does so by extending fair-trade rules to important additional areas of commerce, including intellectual property, trade in services, trade-related investment, and agricultural trade.

In a number of trade sectors, reductions in tariff and nontariff barriers have been achieved. In addition, improvements have been

made that could make the GATT dispute-settlement process faster and more effective.

The agreement that has been worked out by representatives of the GATT nations over several years will soon be before Congress for approval on behalf of this country.

Following are some of the actions and provisions that the Chamber board is calling for in the implementing bill:

In dealing with anti-dumping concerns, Congress should provide for:

- Anti-dumping petitioning procedures that ensure appropriate access for domestic industry to seek relief from foreign dumping.
 - Improvements in methods of calculation for determining whether prices of foreign goods differ significantly between home and U.S. markets.
 - Consideration of U.S. producers' general sales and administrative expenses, in the absence of foreign exporters' data, in calculating dumping margins.
 - Consideration of alternative factors to below-cost sales in calculating foreign exporters' profits.
 - Limitations on the use of exchange rates that distort price comparisons in dumping calculations.
 - Reasonable deductions of related importer profits from the total import price to bring U.S. practice closer to that of our trading partners.
 - Defining *de minimis* (not subject to investigation) as 2 percent or less of the foreigner's export price.
 - Use of a regional basis in analyses of whether imports in cases involving a regional industry are negligible or could have a possible adverse impact on a domestic industry.
 - Acceleration of investigations, and increased sanctions for repeat violators and evaders of anti-dumping orders.
- In dealing with trade-related intellectual property (TRIP), the implementing legislation should:
- Instruct U.S. government representatives to press the council on trade-related intellectual property to begin immediately fulfilling its obligation to monitor the operation of the TRIP agreement and members' compliance with their obligations under the agreement.
 - Retain the flexibility for bilateral action currently available under Section 301 of U.S. trade law. This is important because certain types of intellectual-property-rights violations that do not expressly violate the GATT will not have the benefit of the Uruguay Round's dispute-settlement mechanism for five years.

■ Contain provisions to ensure careful monitoring of countries' application of the provisions in the TRIP agreement on compulsory licensing and border measures and to require U.S. action if there is evidence that these measures are being abused.

In addition, there should be assurances that the transition period for developing countries and those countries moving from centrally planned to market economies not be allowed to slow or halt progress toward improved intellectual-property protection. To prevent such an outcome, the implementing legislation should address these points:

■ The transition period should be interpreted as a time in which to undertake all measures necessary to meet TRIP obligations fully by the end of time periods set in the agreement. No extensions should be allowed.

■ The U.S. should take a leadership role in providing technical assistance in the preparation of domestic legislation on the protection and enforcement of intellectual-property rights, preventing the abuse of those rights, and establishing the domestic personnel and offices provided in the agreement.

Senate Approves Chamber-Backed Proposals Designed To Avoid Excessive Regulation

Two proposals to ease government burdens on business won Senate approval after a strong U.S. Chamber campaign on their behalf.

One, the Economic and Employment Impact Act, would require that all measures considered by Congress and all regulations proposed by federal regulatory agencies be accompanied by an analysis of how they would affect the economy and employment. The measure was sponsored by Sen. Don Nickles, R-Okla.

The other measure corrected a fundamental flaw in the Regulatory Flexibility Act. That law requires federal agencies to consider the impact of federal regulations on small businesses but specifically excludes enforcement of the act by the courts. In fact, the law includes no provisions for dealing with noncompliance. The proposal to correct this flaw—sponsored by Sen. Malcolm Wallop, R-Wyo.—would do so by authorizing judicial review of agency compliance with the Regulatory Flexibility Act. In its campaign, the Chamber emphasized that court scrutiny is the crucial ingredient needed to make the act work as intended.

The two measures, if ultimately enacted, would help cut the regulatory cost of doing business, proponents say. Americans spend more than \$400 billion annually complying with federal rules, according to the Chamber.

The Nickles and Wallop proposals were added on as parts of broader legislation approved by the Senate that deals with competitiveness generally. The House passed its own version of a competitiveness bill last May, but its legislation does not contain provisions similar to the Nickles and Wallop amendments. Lawmakers will soon convene a conference to reconcile differences between the House and Senate competitiveness measures.

Notify your senators and representative that the final version of the competitiveness legislation should contain the Economic and Employment Impact Act and the provision authorizing judicial review of federal agency compliance with the Regulatory Flexibility Act. Lawmakers may be reached through the Capitol Hill switchboard at (202) 224-3121.



■ Associations

Lesher Receives Leadership Award

U.S. Chamber of Commerce President Richard L. Lesher has received the *Association Trends* magazine Executive of the Year award for 1994.

The Chamber's president since 1975, Lesher received the honor March 9 "because of the dynamic leadership that he has brought in sharpening the focus of the Chamber and broadening its activities," said Jill Martineau Cornish, president and publisher of *Association Trends*.

Under Lesher's leadership, Chamber membership has increased from 50,000 to more than 215,000 companies, 96 percent of which are small businesses with fewer than 100 employees. In addition, more than 2,800 state and local chambers of commerce and 1,200 trade and professional associations are U.S. Chamber members.

Lesher has overseen the growth of the business federation's budget from \$22 million in 1975 to its current \$70 million. And recently, he has been instrumental in developing and imple-



U.S. Chamber President Richard L. Lesher receives *Association Trends*' Executive of the Year award from the magazine's president and publisher, Jill Martineau Cornish.

menting the Chamber's new Grassroots Action Information Network (GAIN). The network combines strategic grassroots action with state-of-the-art technology to keep Chamber members informed about business issues in Washington.

He helped guide the Chamber into the television era with the launching of Biznet, the American Business Network, which features two highly rated programs—"First Business,"

which airs daily on USA cable network, and "It's Your Business," a weekly public-affairs program now syndicated on more than 145 stations nationwide. Lesher's newspaper column, "The Voice of Business," is distributed weekly to more than 600 newspapers across the country.

Lesher also gained recognition from *Association Trends* for his defense of Chamber policy last year against attempts by House Republican leaders to pressure the business organization into adopting their fiscal views.

The GOP group had said of the Chamber position on the 1993-94 federal budget, which had been approved by the Chamber's board of directors: "Your current posture is unacceptable." The lawmakers coupled that statement with a warning that "the ramifications could be quite severe" if the Chamber did not adopt the GOP group's views.

Association Trends noted Lesher's comment at the time that "the Chamber stands firm on its obligation to do what its members want."

The publication commented that the dispute was really about "who controls associations.... No elected official has the right to dictate what an association will do or support."

■ Environment

A Sign Of Progress On Regulations

The U.S. Chamber of Commerce has long advocated that environmental regulations be based on sound science and that money spent to clean up pollution be directed toward the most serious risks to human health and the environment.

This Chamber effort appears to be making some headway.

In recent months, there have been strong indications that more members of Congress agree with this view and want to compel the U.S. Environmental Protection Agency to take such factors into account with each new environmental compliance approach the agency considers.

The science-based approach to regulation gained prominence in May when the Senate was considering a bill, S. 171, to elevate the EPA to Cabinet-level status. Sen. J. Bennett Johnston, D-La., proposed an amendment to require that EPA estimate the risk of any problem that regulators are trying to address and

compare that risk to other environmental risks to public health.

The EPA administrator would have to certify that each regulation would lower the risk associated with the problem and that the expected gains from a new rule would justify the cost. The amendment passed, 95-3.

As the House version of the bill, H.R. 3425, approached the vote stage, a Chamber-led industry group, the Risk Task Group, distributed to House members an issue brief outlining how use of risk assessments can help set priorities for environmental regulations.

When the bill reached the House floor, a risk-assessment amendment could not have been considered under a restrictive rule that would have limited discussion. But the House took the unusual step of voting down the rule, 227-191. It refused to consider the bill without allowing debate on the worthiness of risk assessments.

The bill was returned to the Rules Committee, and House leaders have yet to decide whether to proceed with another vote attempt.

EPA Administrator Carol Browner, who says the EPA already conducts hundreds of risk assessments each year, recently told industry representatives at the U.S. Chamber that she is "disappointed" by the turn of the events because, she said, the required risk assessments could be inflexible.

But business groups, as well as state and local governments, want risk assessments to be used consistently.

The Risk Task Group recently sent a letter to President Clinton urging him to support the risk-assessment and cost-benefit approach if the EPA Cabinet bill is brought up again in the House. The Chamber and the Risk Task Group are continuing to monitor developments on the risk issue closely.

■ Board Action

Chamber Rejects Health-Care Mandate

The U.S. Chamber of Commerce has declared its opposition to any employer mandate on health insurance.

Along with that action, the business organization's board of directors also:

- Authorized a poll to determine the views of the Chamber's 220,000 members on the major health-care-reform proposals

mandates and universal coverage at a news conference following the board meeting, Chamber President Richard L. Leshner and Robert E. Patricelli, chairman of the Chamber's Health and Employee Benefits Committee, noted that it had become clear that the membership was against employer mandates. "Companies

said, "a very, very substantial portion of our membership adamantly opposes employer mandates."

The reform goal, he said, should be expansion of coverage and cost containment through steps that can command broad support.

The eight basic health-care-reform principles approved by the board are designed to move in that direction, Leshner said.

Those elements are:

- A standard minimum benefits package that would be offered by private insurers and would permit comparison shopping by consumers.

- Insurance-market reforms to ensure that medical coverage is available to those seeking it and portability to continue insurance protection independently of job changes.

- Report cards on the price and quality of health plans.

- Consumer choice and incentives to encourage price sensitivity among consumers.

- Purchasing pools for small employers and individuals.

- Simplified administration, including standardized forms for claims, patient records, and clinical protocols.

- Medical liability reforms.

- A 100 percent tax deduction for medical expenses of the self-employed.

Chamber Chairman William C. Marcil said that the board's policies on health care have consistently stemmed from this principle: "Any reform of America's health-care system must be a market-based solution without excessive cost, regulation, or bureaucracy."

Leshner said that the Chamber had been "an impact player on health reform from day one—we have provided leadership for many, many years, and we will continue to do so."



1994-95 Chamber Chairman William C. Marcil, left, greets Rep. Richard K. Arney, R-Texas, who addressed the Chamber's board of directors on health-care reform Feb. 28.

now being considered on Capitol Hill.

- Suspended, subject to member responses to the poll, the organization's support for coverage of every American as a goal of health-care reform.

- Approved eight health-care-reform elements as the basis for any effective plan to improve the nation's health-care system without massive increases in costs and federal regulation.

Chamber directors voted on mandated employer financing of workers' health insurance and the related issue of universal coverage at the board's Feb. 28 meeting.

The membership poll, now in the mail, was authorized by the board earlier. (See details on the poll at right.)

The opposition to all mandates followed Chamber congressional testimony Feb. 3 in which it said it could not support any of the mandate proposals offered in President Clinton's health-care-reform bill or in any of the other proposals pending in Congress. The board extended that opposition to cover the concept of mandates generally.

In announcing the board's actions on

don't like mandates," Leshner said. "They just have a natural opposition to mandates."

"The board is rejecting any form of employer mandates," Patricelli said. He noted that earlier in the debate over health-care reform, Chamber directors had approved a shared-responsibility approach under which government, employers, and employees would be jointly responsible for financing health insurance.

When the health debate was just beginning, he said, that had appeared to be "the best way to try to move toward universal coverage." But, he noted, that was before the details of the president's plan were known.

Patricelli said, "We have had much input now from our membership, and it is clear to us, even in advance of the poll, that it is not supportive of the employer-mandate approach." Those members remain open, he continued, to other approaches that will be determined in the survey.

"We are a membership organization, and as best as we can determine," Leshner

■ Health-Care Poll

Members of the U.S. Chamber of Commerce can have a major influence on the national debate on health-care reform by responding to a Chamber questionnaire mailed to them on the subject.

The poll, with background information on pending health-care-reform options, has been sent to all 220,000 Chamber members. The deadline for responding is March 31.

Respond, and make your voice heard.

■ NCLC

Victory Helps Limit Punitive Damages

The legal affiliate of the U.S. Chamber of Commerce recently won an important Texas Supreme Court victory on punitive damage awards that could have a ripple effect favorable to business on decisions in courts nationwide.

"Outrageous punitive damage awards against companies and individuals have been commonplace in recent years," said Stephen A. Bokart, executive vice president of the National Chamber Litigation Center and a Chamber vice president. "The Texas ruling could—and will in Texas—serve as an injection of some reasonableness into punitive award decisions handed down by trial juries."

In its early February decision, the Texas Supreme Court agreed with NCLC that juries considering punitive damages against a defendant should be given objective criteria rather than vague standards to make awards.

The court also ruled that evidence of a defendant's wealth can be introduced only after the jury has determined that a plaintiff is entitled to punitive damages.

The court went further by issuing a directive to the state's appellate courts. It said that when such courts are asked to review punitive damage awards and subsequently uphold them, they must ensure that the damages assessed are supported by the evidence. Previously, an award could only be overturned if there was "no evidence" to support it.

The Texas case, *Transportation Insurance Co. vs. Moriel*, involved a lawsuit filed by Juan Moriel, a worker injured on the job. He sued his employer's insurance firm, Transportation Insurance Co., of Dallas, for "gross negligence" when it disputed and delayed payment on some of his medical bills.

A jury awarded the employee \$1,000 in actual damages, \$100,000 for mental anguish, and \$1 million in punitive damages. An appeals court upheld the award.

■ Brief Questioned Standard

The Chamber litigation center filed a friend-of-the-court brief on behalf of the insurance company. In it, NCLC argued successfully that Texas' gross negligence standard lacked precision and clarity and, therefore, "encouraged juries to impose punitive damages for errors of judgment."

NCLC argued that such damages should only be awarded for behavior that is "so extreme that justice demands yet another punishment" in addition to any compensatory damages.

Although the ruling has no legal stand-



ing outside Texas, NCLC's Bokart says other jurisdictions are likely to consider it in reviewing the appropriateness of punitive damage awards.

Over the past five years, NCLC has been, or still is, involved in 11 punitive damage cases at various court levels, including four before the U.S. Supreme Court.

Bokart said he is hopeful that the Texas high court's lead in providing more protection for defendants in punitive damage cases will be followed by the U.S. Supreme Court in such a case, *Honda Motor Co. vs. Oberg*, which is currently before it. The litigation center has filed a friend-of-the-court brief in the case.

In recent cases involving punitive damages, the Supreme Court has ducked the issue of judicial standards for review of punitive damage awards, leaving the matter to the states to determine.

In the Honda case, which is on appeal from the Oregon Supreme Court, Karl Oberg was injured when a Honda-made all-terrain vehicle he was driving up a steep embankment overturned on him. Oberg sought and won \$5 million in punitive damages from Honda, in addition to more than \$735,000 in compensatory damages.

Honda challenged the punitive damage procedures and the excessiveness of the award in a brief filed with the trial court and, subsequently, the Oregon Court of Appeals.

The trial court denied without comment Honda's motion to set aside the award or to grant a new trial. The appeals court said that instructions given by the trial judge to the jury about determining punitive damages "adequately guided the jury during its consideration of defendant's liability for punitive damages."

The appeals court also ruled that a provision in the state constitution prohibited the setting aside of the award as excessive and that the same provision limited appellate review of the case to asking only whether there was "any evidence" to support a punitive damage award.

The Oregon Supreme Court agreed with the lower court, saying that the combination of jury instructions and limited appellate review "was sufficient to satisfy [Honda's] due process" rights.

NCLC is arguing to the U.S. Supreme Court that due process requires that punitive damage awards be reviewed for their reasonableness. The center points out that in the two most recent punitive damage cases heard by the court—and in which NCLC was involved—several justices ruled that such judicial review is required.

At a minimum, argues NCLC, reviewing courts should determine whether a punitive damage award was rendered based on "improper factors," such as the defendant's ethnicity, place of citizenship, or other status, including the defendant's net worth.

■ Judge Instructed Jury

In the Honda case, among the instructions to the jury in determining a punitive damage award was to consider the "financial condition" of Honda. Evidence was presented during the trial that Honda and all of its ancillary companies were worth \$5 billion.

NCLC is asking the high court to require courts reviewing punitive damage awards to ensure that any financial information presented at trial be limited to evidence that the defendant realized or expected to realize a financial gain by engaging in the challenged conduct. As it applies to the Honda case, NCLC suggests that evidence should have to show that Honda had manufactured a vehicle it knew to be prone to overturning on steep grades.

In asking the high court in the case to articulate standards for awarding punitive damages, NCLC says it is seeking a "greater level of predictability and fairness to punitive damage proceedings in the various states."

The court is expected to decide the case in June or July.

■ Spending

Balanced-Budget Pressure Shifts To The House

The U.S. Chamber of Commerce continued to press the House to pass legislation calling for a constitutional amendment requiring a balanced federal budget despite a similar measure's defeat in the Senate March 1.

The House resolution, sponsored by Rep. Charles W. Stenholm, D-Texas, was expected to be considered in mid- to late March. The Stenholm measure had more than 265 co-sponsors. The support of 290 House members (two-thirds of the body) was required for passage.

House leaders, including Speaker Thomas S. Foley, D-Wash., had indicated that the balanced-budget joint resolution (H.J. Res. 103) would not be brought to the floor for a vote unless the Senate approved its measure. But House proponents of a constitutional amendment were successful in getting around that opposition.

They gained the 218 signatures necessary from representatives on a petition to "discharge" the balanced-budget measure from the House Rules Committee to the floor for a vote.

The Senate measure (S.J. Res. 41) sponsored by Sens. Paul Simon, D-Ill., Orrin G. Hatch, R-Utah, Larry E. Craig, R-Idaho, and 47 colleagues fell four votes short of the 67 necessary for passage. (See the vote listing on this page.)

The House proposal—like the Senate bill—would restrict Congress' ability to approve spending that exceeds revenues. To pass an unbalanced budget or increase the ceiling on the cumulative federal debt, the amendment would require that three-fifths of each house approve and that members' votes be recorded. It also would require a constitutional majority—51 votes in the Senate and 218 in the House—to approve tax hikes. Currently, approval of tax increases requires only a majority of the members present and voting.

The Chamber says a balanced-budget amendment is necessary to place renewed emphasis on the need for fiscal discipline and to constrain the ability of Congress to continue raising taxes.

The Chamber was confident that the balanced-budget resolution, if passed by the House, would be reconsidered by the Senate.

If passed by Congress, the balanced-budget amendment would have to be ratified by the legislatures of 38 states; the proposal includes a time limit of seven years for approval by the states.

International



Recent international speakers at events sponsored by the U.S. Chamber of Commerce have included Harry H. Schwarz, left, South Africa's ambassador to the U.S., and Paulo Tarso Flecha de Lima, Brazil's ambassador to the U.S.

■ Senate Vote

The Senate failed by four votes—63-37—to pass a Chamber-backed measure to add an amendment to the Constitution that would require a balanced federal budget. The organization urges you to thank your senators if they voted for the measure and to express disappointment if they voted against it. Refer to S.J. Res. 41. The address: U.S. Senate, Washington, D.C. 20510.

Voted For Amendment

ALABAMA

Heflin (D)
Shelby (D)

ALASKA

Murkowski (R)

ARIZONA

DeConcini (D)
McCain (R)

CALIFORNIA

Feinstein (D)

COLORADO

Brown (R)
Campbell (D)

DELAWARE

Roth (R)

FLORIDA

Graham (D)
Mack (R)

GEORGIA

Coverdell (R)
Nunn (D)

IDAHO

Craig (R)
Kempthorne (R)

ILLINOIS

Moseley-Braun (D)
Simon (D)

INDIANA

Coats (R)
Lugar (R)

IOWA

Grassley (R)

KANSAS

Dole (R)

KENTUCKY

Ford (D)
McConnell (R)

LOUISIANA

Breaux (D)

MAINE

Cohen (R)

MINNESOTA

Durenberger (R)

MISSISSIPPI

Cochran (R)
Lott (R)

MISSOURI

Bond (R)
Danforth (R)

MONTANA

Burns (R)

NEBRASKA

Exon (D)

NEVADA

Bryan (D)

NEW HAMPSHIRE

Gregg (R)
Smith (R)

NEW MEXICO

Bingaman (D)
Domenici (R)

NEW YORK

D'Amato (R)

NORTH CAROLINA

Faircloth (R)
Helms (R)

NORTH DAKOTA

Dorgan (D)

OKLAHOMA

Boren (D)
Nickles (R)

OREGON

Packwood (R)

PENNSYLVANIA

Specter (R)
Wofford (D)

RHODE ISLAND

Chafee (R)

SOUTH CAROLINA

Hollings (D)
Thurmond (R)

SOUTH DAKOTA

Daschle (D)
Pressler (R)

TENNESSEE

Sasser (D)

TEXAS

Gramm (R)
Hutchison (R)

UTAH

Bennett (R)
Hatch (R)

VERMONT

Jeffords (R)

VIRGINIA

Robb (D)
Warner (R)

WASHINGTON

Gorton (R)

WISCONSIN

Kohl (D)

WYOMING

Simpson (R)
Wallop (R)

Voted Against Amendment

ALASKA

Stevens (R)

ARKANSAS

Bumpers (D)
Pryor (D)

CALIFORNIA

Boxer (D)

CONNECTICUT

Dodd (D)
Lieberman (D)

DELAWARE

Biden (D)

HAWAII

Akaka (D)
Inouye (D)

IOWA

Harkin (D)

KANSAS

Kassebaum (R)

LOUISIANA

Johnston (D)

MAINE

Mitchell (D)

MARYLAND

Mikulski (D)
Sarbanes (D)

MASSACHUSETTS

Kennedy (D)
Kerry (D)

MICHIGAN

Levin (D)
Riegle (D)

MINNESOTA

Wellstone (D)

MONTANA

Baucus (D)

NEBRASKA

Kerrey (D)

NEVADA

Reid (D)

NEW JERSEY

Bradley (D)
Lautenberg (D)

NEW YORK

Moynihan (D)

NORTH DAKOTA

Conrad (D)

OHIO

Glenn (D)
Metzenbaum (D)

OREGON

Hatfield (R)

RHODE ISLAND

Pell (D)

TENNESSEE

Mathews (D)

VERMONT

Leahy (D)

WASHINGTON

Murray (D)

WEST VIRGINIA

Byrd (D)
Rockefeller (D)

WISCONSIN

Feingold (D)

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Hot Issues



Welfare Reform Sparks Debate

Welfare reform, a topic of considerable interest to business, was the subject of a recent "It's Your Business" program produced by the U.S. Chamber. Debating the issue on the Chamber's weekly public affairs television show were, from left to right, Chamber President Richard L. Leshner; Sen. Hank Brown, R-Colo.; moderator Meryl Comer; A. Sidney Johnson, executive director of the American Public Welfare Association; and Paula Roberts, senior staff attorney with the Center for Law and Social Policy.

Action

Board Adopts Policies On Roads, Training

The U.S. Chamber of Commerce board of directors recently adopted policies on several issues important to business, in addition to its position on health-care reform. (See the health-care article on Page 92.)

At its Feb. 28 meeting, the board voted to support legislation pending in Congress that would create an integrated network of roads considered important to the nation's economic well-being. The network would consist of the most important interstate and defense highways and the principal arterial roads that support interstate, interregional, defense, and intermodal commerce and travel.

Congress has until Sept. 30, 1995, to approve the legislation—the National Highway System Designation Act of 1994—but the Chamber is urging immediate passage of the bill.

The measure would serve primarily to maintain and improve a 155,000-mile nationwide system of roads that have been identified as vital to the economy.

The board also voted to support efforts to restructure the federal training and employment system.

"The U.S. Chamber recognizes that America's training and employment system is inadequate to meet the demands of rapidly evolving technologies and intensifying global competition," the board said in a statement.

"The current system is fragmented and confusing," the board noted, "and

often fails to provide workers and employers with the fast and effective training and placement services they need."

Any new system, the board said, should:

- Include input from business in all phases of its design, development, operation, and evaluation.

- Not impose new federal mandates or regulatory burdens on employers. It must not be financed through new taxes or increases in current taxes on business.

- Assist workers in pursuing job-search and placement assistance, career advancement, and career changes. Services must be delivered as promptly and effectively as possible to help employers make quicker and less costly connections with prospective employees. Training services must reflect the local and regional skills needed by employers.

- Factor in the education, employment, and training programs of all federal agencies.

- Incorporate accountability and standards of quality adopted by states and localities. In addition, there must be sufficient state and local flexibility incorporated into the design and implementation of the new re-employment system.

- Strengthen and enhance the current system for obtaining labor-market information. In addition, the board said, voluntary occupational-skills standards should be integrated into the system so that dislocated workers will know

the types of skills needed for certain occupations.

President Clinton recently unveiled a proposal for overhauling the training and unemployment system. The Chamber has yet to take a position on the measure.

The board also adopted policies on the Uruguay Round of the General Agreement on Tariffs and Trade (see Page 89) and recommended revisions to the Foreign Assistance Act, both of which are pending in Congress.

On the foreign-aid legislation, the board said that, among other revisions, the act should:

- Recognize that a vital component of foreign assistance should be the promotion of U.S. economic interests, specifically U.S. commercial interests.

- Integrate the goals of foreign-assistance programs into the larger national export-development strategy of the U.S.

- Shift resources to other agencies to encourage U.S. business involvement in developing countries if the Agency for International Development (AID) abandons such a program.

- Acknowledge the critical role of capital projects and infrastructure in the development of countries.

- Develop clear criteria for setting geographic and program priorities.

The Chamber board also agreed to endorse 153 U.S. representatives and eight senators for re-election in 1994.